DOCUMENT RESUME

ED 181 840	HE 012 262
TITLE	Reauthorization of the Higher Education Act and Related Measures, Part 8. Hearings Before the Subcommittee on Postsecondary Education of the Committee on Education and Labor, House of Representatives, Ninety-Sixth Congress, First Session (July 19, 25, 26, and 31, 1979).
INSTITUTION	Congress of the U.S., Washington, D.C. House Committee on Education and Labor.
PUB DATE	Jul 79
NOTE	466p.; For related documents, see HE 011 930, HE 012 083-084, HE 012 115-116, HE 012 260-263; some pages may not reproduce well due to small print
AVAILABLE FROM	Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402
EDRS PRICE	MF01/PC19 Plus Postage.
DESCRIPTORS	Eligibility; Federal Aid; Federal Government; *Federal Legislation; Government School Relationship; *Grants; *Hearings; *Higher Education; *Need Analysis (Student Financial Aid); Program Administration; *Student Financial Aid
IDENTIFIERS	Basic Educational Opportunity Grant Program; Developing Institutions; *Higher Education Act 1965; State Student Incentive Grant Program; Supplemental Educational Opportunity Grant Program

ABSTRACT

Hearings held before the U.S. House Subcommittee on Postsecondary Education regarding reauthorization of the Higher Education Act and related measures are presented. The detailed legislative recommendations of the Carter Administration concerning the reauthorization are presented, and those features of the administration's bill that represent the most significant departures from current law are examined. Specific areas of focus are recommendations concerning Title III, strengthening developing institutions; institutional eligibility; the administration and management of student financial aid programs; the allocation of student aid funds to students, states, and institutions; and grant aid to students through the Basic Grant and the Supplemental Educational Opportunity Grant programs. The administration is proposing: a packaging framework for student financial aid; a single student aid application form; a single needs-analysis system; a new formula for state-matching in the State Student Incentive Grant Program; and the elimination of the initial year-continuing year distinction in the Supplemental Educational Opportunity Grant Program. The administration is also proposing to modify the Basic Grant maximum award and the reduction schedule, to permit the use of average rather than actual costs of attendance under the Basic Grant program, and to increase the maximum Supplemental Educational Opportunity Grant Award. (SW)

ED181840

REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

Part 8

HEARINGS

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

FIRST SESSION

HEARINGS HELD IN WASHINGTON, D.C., ON
JULY 19, 25, 26, AND 31, 1979

Printed for the use of the Committee on Education and Labor

U S DEPARTMENT OF HEALTH
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

HE012 262

REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

Part 8

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

FIRST SESSION

HEARINGS HELD IN WASHINGTON, D.C., ON
JULY 19, 25, 26, AND 31, 1979

Printed for the use of the Committee on Education and Labor

U.S. GOVERNMENT PRINTING OFFICE
51-837 O WASHINGTON : 1979

COMMITTEE ON EDUCATION AND LABOR

CARL D. PERKINS, Kentucky, *Chairman*

FRANK THOMPSON, Jr., New Jersey
JOHN BRADEMAS, Indiana
AUGUSTUS F. HAWKINS, California
WILLIAM D. FORD, Michigan
PHILLIP BURTON, California
JOSEPH M. GAYDOS, Pennsylvania
WILLIAM (BILL) CLAY, Missouri
MARIO BIAGGI, New York
IKE ANDREWS, North Carolina
PAUL SIMON, Illinois
EDWARD P. BEARD, Rhode Island
GEORGE MILLER, California
MICHAEL O. MYERS, Pennsylvania
AUSTIN J. MURPHY, Pennsylvania
TED WEISS, New York
BALTASAR CORRADA, Puerto Rico
DALE E. KILDEE, Michigan
PETER A. PEYSER, New York
EDWARD J. STACK, Florida
PAT WILLIAMS, Montana
WILLIAM R. RATCHFORD, Connecticut
RAY KOGOVSEK, Colorado
DON BAILEY, Pennsylvania

JOHN M. ASHBROOK, Ohio
JOHN N. ERLENBORN, Illinois
JOHN H. BUCHANAN, Jr., Alabama
JAMES M. JEFFORDS, Vermont
WILLIAM F. GOODLING, Pennsylvania
MICKEY EDWARDS, Oklahoma
E. THOMAS COLEMAN, Missouri
KEN KRAMER, Colorado
ARLEN ERDAHL, Minnesota
THOMAS J. TAUKE, Iowa
DANIEL B. CRANE, Illinois
JON HINSON, Mississippi
THOMAS E. PETRI, Wisconsin

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

WILLIAM D. FORD, Michigan, *Chairman*

JOHN BRADEMAS, Indiana
FRANK THOMPSON, Jr., New Jersey
MARIO BIAGGI, New York
PAUL SIMON, Illinois
PETER A. PEYSER, New York
JOSEPH M. GAYDOS, Pennsylvania
AUSTIN J. MURPHY, Pennsylvania
TED WEISS, New York
WILLIAM R. RATCHFORD, Connecticut
CARL D. PERKINS, Kentucky
(Ex Officio)

JOHN H. BUCHANAN, Jr., Alabama
JAMES M. JEFFORDS, Vermont
MICKEY EDWARDS, Oklahoma
THOMAS J. TAUKE, Iowa
JOHN M. ASHBROOK, Ohio
(Ex Officio)

CONTENTS

Hearings held in Washington, D.C., on: Page

July 19, 1979 ... 1
July 25, 1979 ... 153
July 26, 1979 ... 335
July 31, 1979 ... 415

Statement of—

Baron, Kathryn, National Student Educational Fund ... 264
Berry, Dr. Mary F., Assistant Secretary for Education and Acting Commissioner of Education, Department of Health, Education, and Welfare ... 154
Bohen, Fred, Assistant Secretary for Management and Budget, Department of Health, Education, and Welfare, accompanied by Dick Warden, Assistant Secretary for Legislation ... 9
Francis, Dr. Norman, president, Xavier University, representing the National Association for Equal Opportunity in Higher Education ... 166
Fulton, Richard, attorney-at-law, Sachs, Greenebaum & Tayler ... 246
Gossens, Peter, director of government relations, National Association of Independent Colleges and Universities ... 435
Hamilton, Bette, American Association of Community and Junior Colleges ... 428
Holec, Donald, director of financial aid, Purdue University ... 438
Knudson, Barbara, chairwoman, Accreditation Advisory Council ... 267
MacKinnon, Al, New York State Department of Education ... 279
Moyé, Dr. Alfred L., Deputy Commissioner for Higher and Continuing Education ... 163
O'Keefe, Michael, Deputy Assistant Secretary for Planning and Evaluation, Department of Health, Education, and Welfare ... 281
Packer, Joel, legislative director, U.S. Student Association ... 351, 441
Reeher, Kenneth R., National Association of State Grant Programs ... 355
Reid, Dr. Alban E., president, Bergen Community College ... 176
Rice, Lois, vice president, College Entrance Examination Board ... 345
Rivera, Dr. Alvin, National Hispanic Higher Education Coalition ... 184
Roschwalb, Jerold, National Association of State Universities and Land-Grant Colleges ... 431
Saunders, Charles, vice president, American Council on Education ... 254
Voigt, Peter, Bureau of Student Financial Assistance, Office of Education ... 344
Voigt, Peter, Bureau of Student Financial Assistance, accompanied by Michael O'Keefe ... 428
White, Constance L., director, Undergraduate Financial Aid and coordinator, University Financial Aid, Yale University, New Haven, Conn., accompanied by Dallas Martin, executive director, National Association of Student Financial Aid Administrators ... 357
Young, Kenneth, president, Council on Postsecondary Accreditation ... 240

Prepared statements, letters, supplemental material, et cetera—

Berry, Dr. Mary F., Assistant Secretary for Education and Acting Commissioner of Education, Department of Health, Education, and Welfare:

Testimony of ... 157
Letter to Congressman Buchanan, dated August 31, 1979, enclosing responses to questions ... 218
Letter from Congressman Buchanan dated August 3, 1979, enclosing a list of questions ... 313
Letter to Chairman Ford enclosing a summary report responding to questions raised at hearing ... 322

Prepared statements, letters, supplemental material, et cetera—Continued Page

Bohen, Fred, Assistant Secretary for Management and Budget, Department of Health, Education, and Welfare:
  "Comparative Summary of Costs and Program Data for the Administration's Student Loan Proposals" 141
  "Reasons Why Administration's Loan Proposals Will Not Increase College Costs" 150
Califano, Hon. Joseph A., Jr., Secretary, Department of Health, Education, and Welfare, prepared testimony of 10
Coalition of Independent College and University Students, prepared statement of the 460
Francis, Dr. Norman, president, Xavier University, representing the National Association for Equal Opportunity in Higher Education, statement on 170
Fulton, Richard, attorney-at-law, Sachs, Greenebaum and Tayler, "The Several Discrete Dimensions of Eligibility," article entitled 247
Gossens, Peter J., director of government relations, National Association of Independent Colleges and Universities, prepared statement of 422
Hamilton, Bette E., American Association of Community and Junior Colleges and the Association of Community College Trustees, prepared statement of 416
Holec, Donald, director of financial aid, Purdue University, on behalf of the National Association of Student Financial Aid Administrators, prepared statement of 423
Knudson, Barbara, chairwoman, Accreditation Advisory Council:
  "Overview of Self-Study Project," article by Charles W. Dayton, American Institutes for Research, Palo Alto, Calif 275
  "Reliance Upon Recognized Accreditation Status By The Federal Government," article entitled 276
  Testimony presented by 271
Moyé, Dr. Alfred L., Deputy Commissioner for Higher and Continuing Education, testimony of 165
NASFAA Federal Monitor, No. 21, "Summary of Surveys on the Common Form and Final Copy of OE's Form and Instructions" 395
O'Keefe, Thomas (Mike), Deputy Assistant Secretary for Planning and Evaluation, Department of Health, Education, and Welfare:
  Testimony of 283
  "Questions About The 'Basic Eligibility List'," article entitled 311
  Title 45, Public Welfare, subpart A 293
Packer, Joel, legislative director, U.S. Student Association, prepared statement of 425
Reid, Dr. Alban E., president, Bergen Community College, testimony of..... 179
Rice, Lois, vice president, College Entrance Examination Board, "Comparison of BEOG and Uniform Methodology" 350
Rivera, Dr. Alvin, National Hispanic Higher Education Coalition, testimony on 187
Roschwalb, Jerold, director, Office of Governmental Relations/Higher Education, on behalf of National Association of State Universities and Land-Grant Colleges, prepared statement of 418
Saunders, Charles, vice president, American Council on Education:
  "Comments on Administration's Institutional Eligibility and Student Information Recommendations" 258
  The Chronicle of Higher Education:
    "Education Association's Move to Ease 'Heavy Hand' of Federal Government" 260
    "Statement of Principles in Admissions and Recruitment" 263
    "Text of Guidelines on Refunds of Student Charges" 262
Voigt, Peter K. U., Acting Deputy Commissioner, Bureau of Student Financial Assistance, Department of Health, Education, and Welfare, accompanied by William A. Blakey, Deputy Assistant Secretary for Legislation (Education), prepared testimony of 337
Young, Kenneth, president, Council on Postsecondary Accreditation, statement on behalf of 244

REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

Part 8—Administration Proposal

THURSDAY, JULY 19, 1979

House of Representatives,
Committee on Education and Labor,
Subcommittee on Postsecondary Education,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2175, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Perkins, Thompson, Biaggi, Simon, Peyser, Weiss, Ratchford, Bailey, Buchanan, Tauke, and Petri.

Also present: Representative Erlenborn.

Staff present: Thomas R. Wolanin, staff director; and William C. Clohan, minority assistant education counsel.

Mr. Ford. The Subcommittee on Postsecondary Education will now come to order for the purpose of continuing hearings on authorization of the Higher Education Act and related measures.

On March 20, this subcommittee had the privilege of hearing from Secretary of Health, Education, and Welfare, Joseph Califano, Jr., who shared with us the broad outlines of the administration's concerns and the issues they believed to be central to this reauthorization.

Since March 20, this subcommittee has held 23 days of hearings and heard from about 150 witnesses. These witnesses commented in detail on the strengths and weaknesses of our current programs and offered many constructive suggestions for improving and strengthening those programs. And I should say they have commented at some length on what they have been informed would be the administration proposal when it came before us.

We are very pleased to receive this morning the detailed legislative recommendations of the administration, which, I am sure, will be a very constructive and comprehensive contribution to our deliberations.

I should note here that it is apparent that the policymakers at OMB have been at work on what we believed would be the recommendations of the administration in that they have been substantially changed. I would be premature to judge the effect those changes might have on the committee and the Congress to the proposals of the administration.

7

Secretary Califano had hoped to be with us on Tuesday but events of this week caused us to delay his appearance until today.

I talked to him and he offered to come in at a later time. This morning he is not able to be here and it was at my suggestion that he sent as his representative, Fred Bohen, the Assistant Secretary for Management and Budget of the Department of HEW, to share with us the prepared statement which Secretary Califano was scheduled to deliver this morning.

The first person I would like to recognize is a ranking member of our subcommittee, Mr. Frank Thompson, who will introduce our witness for today.

Mr. THOMPSON. Thank you, Mr. Chairman.

It is an honor to introduce a gentleman who has been a friend of mine for a great many years and was a former constituent whom I got to know while he was still doing graduate work at Princeton University—at the Woodrow Wilson School, and when he later became an assistant dean.

Mr. Bohen has had a rather remarkable career for such a young man. He has been in public TV in public service, with the Ford Foundation, twice unhappily an unsuccessful candidate for Congress, where he surely would have distinguished himself among us; and he has been with the administration, and in particular with Secretary Califano, since the earliest days of Mr. Califano's tenure in the Cabinet.

In my judgment Secretary Califano has done a really outstanding and courageous job backed up by such people as Mr. Bohen.

Obviously the circumstances are such that Mr. Bohen's normal responsibilities do not include the drafting of legislation. And certainly I am sure he has nothing to do with OMB's input or perhaps one should say, outgo. It seems these days that there is something of a crisis of confidence in the land and that might be because there is a crisis of competence. That circumstance would not apply in Mr. Bohen's case.

Mr. Chairman, it is a distinct pleasure for me to introduce to the committee my longtime and very valued friend, Fred Bohen.

Thank you.

Mr. FORD. I would like to recognize Chairman Perkins of the full committee at this point.

Mr. PERKINS. Mr. Chairman, you know I cannot let this opportunity go by without making an observation about the absence of the Secretary of HEW, Joe Califano.

Joe Califano was not only one of our great scholars in America, but he happens to be one of the greatest administrators in this Nation, and he is the first Secretary in my memory who has taken hold of a disorganized Department, the Department of Health, Education, and Welfare, and brought some reorganization that really needed to be done and had the Department under control and was saving money in the areas of the welfare eliminating a lot of the fraud in welfare.

Throughout the whole Department—including Social Security, the Surgeon General, Education—much progress was being made from the standpoint of results obtained insofar as the taxpayers of this Nation were concerned and insofar as the advancement of the purposes of the HEW Department—progress is a word which describes Joe Califano.

I for one think it is a great mistake to see the best administrator in the Carter government today resign and leave this Government.

I think it is a great loss to the American people and I think it is all uncalled for to lose the caliber of an individual like Joe Califano who has done such an outstanding job in the Department of HEW.

It was one of the departments of Government where Joe Califano had brought in some of the best personnel, some of the best talent in the Nation, to take charge of the various agencies within HEW. Progress was being made. To see this Department splinter, the Department which handles a greater amount of money than any other department in the Government, means that much of the good that he has brought about will go down the drain because administrators of the caliber of Joe Califano are few and far between. There are only a few of them in the United States, in my judgment.

Another thing that I want to say is that you do not find men who will work 18 hours a day like Joe Califano. Some people work by the clock, take time out to do this thing and that thing, but this day will go down in history as a great loss to America.

Mr. FORD. I wish to thank the chairman and associate myself with his remarks.

I would like to recognize the gentleman from New York at this point.

Mr. WEISS. Mr. Chairman, I, too, want to indicate what a tremendous contribution Secretary Califano has made not to just this committee and Congress, but to all those in America who have reason to be concerned with the state of our Nation and its educational, social welfare, health and well-being.

My term here really coincides with his as Secretary. I think it is fair to say that in the course of the past 2½ years, the most noteworthy achievements and movements forward of this country and administration have come from the Secretary and the Department. While it is true that the President has the right to have his own people and to make whatever changes he feels appropriate, I do feel that accepting Mr. Califano's resignation is a very, very major error. We hope it will not in fact give greater encouragement to those who have been attacking the social welfare and educational progress of this Nation.

Mr. FORD. I recognize the gentleman from New York.

Mr. PEYSER. Mr. Chairman, I want to apologize for being a few minutes late. I do want to take this occasion, though, to speak of the Secretary whose resignation I understand has been accepted by the President. Obviously the President is at complete freedom as to who should be serving on his Cabinet. I do feel in many areas, not just education, which we are representing here, but also in the broader scopes of HEW, that we are losing a very good and very responsive man in Secretary Califano.

I have had personal experience with him in working with him in New York, where he came to survey some of the problems we were confronting there, and he has showed over the years a tremendous awareness of the problems of the people and a tremendous concern of acting and doing the things that were aimed at helping those problems.

I am unhappy at this decision. Nevertheless, it is obviously the President's right and I just want to be on the record as saying that I think the Secretary has proved to be outstanding in his work, he has been responsive to us on the committee here and has been very responsive to the people throughout this country, and I appreciate the chairman yielding to me this time.

Mr. **Ford**. I recognize the gentleman from Connecticut.

Mr. **Ratchford**. If in fact the resignation has been accepted, it is my opinion the wrong shoe has fallen. Certainly it is apparent in Washington that some changes were needed in the Cabinet. But in my judgment, if Secretary Califano is to be a victim of this decision, it is a decision that is a mistake.

We need an administrator in this position who is tough, a person who knows how to deal with Congress, and someone committed to right and justice. We have this in Secretary Califano.

I know something about this Department because one of its first Secretaries was Senator Ribicoff of Connecticut. While we look with pride at the fact he was one of the first Secretaries appointed, I would say without equivocation that one of the best administrators we have had, notwithstanding Ribicoff, was Joe Califano. He was not afraid to make decisions, and perhaps that is why he is not with us today.

So I say to Joe Califano, "I wish you were sitting at the witness table this morning."

Mr. **Thompson**. Would the gentleman yield?

Mr. **Ratchford**. Be happy to.

Mr. **Thompson**. I would like to associate myself with his remarks and say Chairman Perkins pointed out that Secretary Califano has brought with him persons of great talent, and I would hope that they remain. The person who replaces Secretary Califano will need all the help and skills possible. Those skills are here.

I came here during the incumbency of the first Secretary of HEW, Mrs. Hobby. Although she was a very nice lady, there was not an awful lot of regret when she packed up her emeralds and went back to Texas, and believe me that was quite a package.

I have had only one disagreement with Mr. Califano. I am foolish and I smoke, I had breakfast with him several times and he would not let me smoke in his presence. After breakfast I stood in the door and blew a puff or two in and said, "Goodby."

I want to help the President; I hope this is not an indication of the kind of action which will be taken after the President importuned all of us to help him. I just hope this is not demonstrative of the total reasoning he is applying to the resignations which are available to him.

Thank you for yielding.

Mr. **Ford**. I recognize the gentleman from New York.

Mr. **Biaggi**. Mr. Chairman, Secretary Califano assumed the post of Secretary of HEW at great personal and financial sacrifice. Some of us questioned his wisdom at the time. Whatever the motivation was, the beneficiaries were the people of our country. We have worked very closely with the Secretary and he has clearly demonstrated he has the courage, the intellect, compassion, and commitment to deal with HEW and all of its problems. He made substantial progress. He brought with him people of great talent, tried to unravel what seemed to be the most insoluble of problems and administrative difficulties. What he in fact did was to defuse some of the critics of HEW, because he had confidence in his determination. HEW has been a pretty popular scapegoat over the years, but because of the Secretary's commitment and determination, the critics were somewhat subdued.

I do not know who the successor will be, but—and I am not so sure that whosoever the successor will be, that they will be equal to the capacity and ability of Secretary Califano.

I share the view of some who said Secretary Califano was the best Secretary HEW ever had, and I regret deeply that he has resigned. For a host of reasons I think the administration has lost in his departure. The Secretary may have gained in his departure, because I have always questioned his judgment, I have told him so at the original decision. But if you review his history, you will note that he has made substantial contributions. He was the architect of much progressive legislation. He knew HEW like no one did. He was on the road to correct many of the problems. His cooperation with this committee and with this member was probably the best that I have witnessed and I have enjoyed. I hope that spirit of cooperation continues with his successor, and I share the gentleman from New Jersey, Mr. Thompson's concern and hope that the successor will retain the talent that Secretary Califano had aboard, because in the end we all have a mutual interest and concern. Secretaries come and go, but I think Secretary Califano's mark and presence will be somewhat enduring.

Thank you, Mr. Chairman.

Mr. FORD. The gentleman from Iowa.

Mr. TAUKE. Mr. Chairman, there is no question but that Secretary Califano was an individual of confidence and experience who had the integrity "to call them as he saw them." Perhaps those were qualities which triggered his resignation this morning.

As this committee proceeds through the process, the Secretary is gone; we have no Secretary; the Commissioner's position is vacant. Under those circumstances, it is clear that we are going to have to seek special kinds of assistance and direction from the administration. However, I think there is no question that this committee is always anxious to cooperate with the administration, even under the most difficult of circumstances.

Mr. FORD. I thank the members of the committee for your comments. I have been maintaining as much composure as I can to avoid showing my very deep disappointment as chairman of this subcommittee, in having to confront this change in circumstances.

I have a very selfish point of view with the heavy responsibility we have in this Congress for all of education. This room is full of people who were with us virtually every step of the way in the last Congress fighting for the Middle Income Student Assistance Act. I suppose that is when somebody decided Joe Califano was too dynamic for this position, because he listened to people who had devoted their life trying to develop Federal aid to education as a positive force for improving the quality of life for everybody in this country and improving the strength of this country. It was not easy to convince everyone who had to be convinced that last year was the year that required action. It may continue to be difficult to convince people that the action that is forthcoming is absolutely essential. There is no way we can avoid our responsibility, and we have a deep responsibility to move with dispatch, because the clock is running out on us.

Mr. Ratchford said it best when he said that, as the country waited to see the outcome of the extraordinary events, one was shocked this morning to find that the "wrong shoe dropped."

I have many friends on that Cabinet, and what I say is in no way in denigration of the performance of any of them individually or the administration. But we on this committee have an opportunity to see the work of the Secretary of HEW more regularly and closely under fire than any other committee, although there are a good number that share responsibility for the programs administered over there.

It has been a pleasure to work with a Secretary who was persistent when he thought he was right in insisting that national purpose was what was really the important determination of what the decision should be.

Joe Califano has set forth in his tenure as Secretary of HEW a standard about what it means to be virtually a personification of the American dream of the young man who believes in his Government, believes in the political process, rises to a position of great power, then remembers at every stage of the operation that the purpose he had in mind was to get that power so he could use it for the good of the people.

He has been a strong advocate. The analysis of this action has already started in this morning's paper, where the suggestion was made that this is the first evidence that we have reached the stage in our country where being a strong advocate of principle is a liability in the seat of power of our Nation. There used to be a saying when I first came to Congress that was, I hope, apocryphal. It was attributed to a former Speaker of the House, and went "If you want to get along, go along."

As a young person, I was cynical as to the way policy was made and the way government operated in our country. I have seen examples during my 15 years here of people who really did not believe that, and I have come recently to believe that in fact that is the exception rather than the rule.

I am sure the newspapers are going to continue along the vein as stated in the Post that being nice, bland, and unnoticed is really the way to get along.

It would be unfortunate if important positions such as that of Secretary of HEW were occupied by people who were fearful of standing up to what the law says they must do just because it is unpopular.

They tell me some of our friends in North Carolina accuse the Secretary of acting under a court order and under the laws of this country. He has had to make some hard decisions which are extremely unpopular in that part of the country. Other people who do not like his being outspoken mentioned the use of the legal warning, if you will, that we print on every package of cigarettes, that cigarette smoking may be harmful to your health. He has not gotten me off the pipe yet, but he tries. It has not offended me that he and I disagree on this issue, at least not to the extent it would affect my ability to recognize that Califano is one of those people who believe when you put your hand up and take an oath, that the oath means just what it says, that you will support the Constitution of the United States and execute the laws of this country to the best of your ability. He has some tough laws to administer over there.

As chairman of this subcommittee, I have been in a very bad state all morning trying to look ahead to the next year and figure out how we put back together all the hard work that he has done and remembering that there has been a lot of hard work that revolved around the very strong personality of the Secretary. He has insisted even under the greatest of pressures from all direction, in exhausting the opinions of all who might have an opinion, to weigh that opinion in the balance and determine what the outcome of policy would be.

Joe Califano has never indicated that he let policy be made by computers or by pollsters. HEW may look to this experience, and decide that the way to make a decision is to hire a pollster and have somebody to manage and look good, but not do anything to rock the boat.

HEW was an agency where the boat would be rocked as often as necessary to keep the social conscience of this Nation awake. It is the biggest agency for social change of any agency in the Federal Government.

There is nobody in this room who has not had occasion to be irritated with the activities which emanate from the office of the Secretary of HEW, because that is ultimately the signature that goes on products that tell people things that are sometimes difficult for them to accept. I am one of those who has been very, very critical and outspoken in disagreeing when I disagreed.

It is extremely important that the American people understand it is not a question of barebones efficiency and who offends a particular southern Governor or a particular minister with respect to how a government is run. It is whether we believe the Government is run for the good of all people and whether or not you can stick your neck out and survive in the system.

We do not want a nice, easygoing center of Government where nobody ever makes anyone uneasy and only the mediocre gradually make it up to the top and end up totally unable to make decisions that will ever make change in this country.

The change that we have seen, for good or bad, but change, nevertheless, has come about in this country because people were willing to be different, different in the sense they still believed what we were talking about a few years ago when we were passing these laws. To some people that is different. Some people have not yet caught up with what we were trying to do 10, 15, or 20 years ago in this country.

While it is still difficult for us, there have to be people who are willing to take the risk that will bring about change, because a country as large as ours that cannot change cannot live.

As Mr. Biaggi suggested, there are many of us with fine memories of being taught by Joe Califano of how the process works in this city when we were young Members here, and he was sitting in the room advocating the policies of the administration for which he was working.

He is a hard-working, hard-selling person who helped put on the books most of the great social progress made in this country in the last year and a half.

As Mario Biaggi said, many of us wonder why having worked so hard in this place before, why after reaching financial and professional recognition, he would give that up to come back and serve again. He literally moved back into a war that he could have evermore survived as an honorably discharged veteran for the balance of his time and continued to accumulate personal wealth and recognition. We asked, why does he want to come back and get into this all over again?

I am happy the members of my committee have expressed themselves as they have. I am happy to associate myself with their remarks, and I will pledge we will do the best we can to follow up on pledges we made to Joe Califano.

I recognize the ranking minority member of the committee.

Mr. BUCHANAN. I would like to associate myself strongly with your remarks.

My father was a Baptist minister. He taught me from the time I was quite small that a man, to be a man, must have the courage of his convictions. He imbued in me something that I feel is typified by Secretary Califano, and that is, it is better to be a private citizen than to hold a position of public responsibility and fail to do something which one believes to be right, or fail to speak when his conscience tells him to speak.

To speak fearlessly for something in or out of an administration is the most desirable quality of a public servant. I have admired the Secretary's high ability, his energy, and his fearlessness in standing for what he believed to be right. I hope we will have the continued benefit of such qualities in this Government.

Mr. Chairman, as one of the members of the Republican Party most supportive of this President—and I think that is unchallengeable on the record—I have found in my experience that, when I start casting about to determine who is responsible with what is wrong with the Representative of the Sixth Congressional District of Alabama I can look this way and that, but I come to the conclusion that the Representative of the Sixth District of Alabama has final and personal responsibility for whatever may be wrong with the way he is fulfilling his responsibilities in that office.

I am sure that applies to more places than in my own little congressional office.

Mr. FORD. Mr. Bailey.

Mr. BAILEY. I have no comment.

Mr. FORD. Thank you.

We would like to hear from Mr. Bohen. If you would, you may proceed through the recommendations. You can see by the turnout here this morning, these recommendations have been high on everybody's list of expectations. We would hope you can touch on what you perceive to be the most important changes in the programs you envision so we can talk more about what they are and how we can go about it legislatively rather than perhaps arguing over specific language at this point. We will have plenty of time to do that later.

We are anxious to hear what the initiatives are in this proposal you consider most important.

STATEMENT OF FRED BOHEN, ASSISTANT SECRETARY FOR MANAGEMENT AND BUDGET, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY DICK WARDEN, ASSISTANT SECRETARY FOR LEGISLATION

Mr. **Bohen**. Mr. Chairman, my friend of many years, Frank Thompson, who has left the hearing room, and other members of this Subcommittee on Postsecondary Education, I am honored, as you might imagine, to the deepest depths of my soul, to come here this morning at the Secretary's request to present the administration's proposals for the reauthorization of these programs.

These are the administration's proposals, Mr. Chairman, but I will tell you the testimony I will read and summarize is Secretary Califano's testimony. Like everything else he did in his 30 months as Secretary, he put his own personal hand and time to the consideration of the issues underlying these proposals, from the modification of the proposals themselves to his own sense of their fairness and administrative feasibility. As late as 5 o'clock yesterday afternoon, he was personally working with me on the editing of this testimony. You will find some of his flourishes recognizable as very much his personal stamp in this draft. So I think whatever summarizing I do, I want the record to carry this testimony in full and carry it as Secretary Califano's.

Mr. **Ford**. Without objection the testimony presented by Secretary Califano to the committee will be inserted in full in the record, and you may proceed.

[The prepared testimony of Mr. Califano follows:]

Prepared Testimony of Hon. Joseph A. Califano, Jr., Secretary, Department of Health, Education, and Welfare

Mr. Chairman and Members of the Subcommittee on Postsecondary Education

I am pleased to be here today to present the Administration's proposals for the reauthorization of postsecondary education programs.

You and your subcommittee, Mr. Chairman, have exercised extraordinary leadership in moving our nation toward an inspiring goal -- to give each American student all the education that he or she needs to develop their talents to the fullest. I am here to reaffirm that goal and to advance proposals that will improve, streamline, and make more equitable the programs that you have put in place -- programs that realize this uniquely American ideal.

Our proposals have benefitted greatly from the debates this subcommittee set in motion. You asked the higher education community to present recommendations on how to improve our programs. Your oversight hearings on these proposals, combined with HEW's regional hearings, shaped the ensuing dialogue between the Congress, the Administration and the postsecondary education community.

As we confront the difficult technical issues raised by this legislation, Mr. Chairman, we must not lose sight of its ultimate objective and the ideals that underlie that objective. There continues to be a strong consensus in this country:

- That a quality education is a national birthright for all Americans;
- That this right is without regard to race, religion, or financial status;
- That an educated electorate is the most effective means of assuring a sound and responsive government; and
- That America's young people are our most precious national resource.

We are fast approaching a time of great crisis in American education. The number of students in the 18 to 24 age group will decline significantly over the next decade. The cost of education is rising dramatically. The ability of the average American family to meet these costs is becoming increasingly difficult. The doors of many colleges and universities will close in the coming years because of this demographic and financial situation. In these circumstances, we cannot afford to waste a single Federal dollar on an inefficient education program.

William Penn said that "Good instruction is better than riches." Today, careful management of Federal riches is a crucial factor in assuring good instruction for all Americans.

The proposals I put forth today will vastly improve the management of our diverse Federal education programs:

-- We recommend a total overhaul of the student loan system.

-- We propose mechanisms to tighten administration, control costs, and cut fraud and abuse in student aid.

-- We suggest measures to streamline our programs and reduce their paperwork requirements.

-- We recommend guidelines to assure that every student has a fair chance to receive Federal education benefits.

-- We propose ways to strengthen the Federal contribution to developing colleges.

-- We recommend changes to enhance our nation's basic research capability.

In partnership with your hard-working subcommittee, Mr. Chairman, its counterpart in the Senate, and the Appropriations Committees, the Administration has increased spending for Education by 40% -- from $8.9 billion in FY 1977 to $12.3 billion in FY 1980. During the same period, Federal spending for postsecondary education has increased 50% -- from $3.4 billion to $5.1 billion.

Less than a year ago, the President signed historic amendments to the Elementary and Secondary Education Act. These amendments strengthened the role of the Federal Government in serving the poor, the limited English speaking, and low-scoring students.

During the same ceremony, the President also signed the Middle Income Student Assistance Act (MISAA) extending the benefits of Federal Student Assistance to millions of middle-income students. I recall your eloquent remarks on that occasion, Mr. Chairman.

This year the President has proposed, and the House and Senate have passed, legislation to create a Cabinet Department of Education. The enactment of this legislation will greatly improve the Federal Government's capacity to manage efficiently and responsibly.

President Carter has made an historic contribution to American education. He has helped achieve the commitments made more than a decade ago by another President committed

TO EQUAL OPPORTUNITY AND EXCELLENCE IN EDUCATION, LYNDON JOHNSON. THE RESULTS IN EDUCATIONAL AREAS REFLECT THAT COMMMITMENT AND THE WORK OF THIS COMMITTEE IN THE CONGRESS. OVER THE LAST DECADE THE PERCENTAGE OF THE MINORITY COLLEGE-AGE POPULATION ACTUALLY ENROLLED IN POSTSECONDARY EDUCATION HAS NEARLY DOUBLED -- FROM 13% TO 25%.

AT A TIME WHEN IT IS FASHIONABLE TO QUESTION THE EFFECTIVENESS OF GOVERNMENT, THESE EXTRAORDINARY GAINS SPEAK ELOQUENTLY OF OUR GOVERNMENT'S TANGIBLE PROGRESS IN REALIZING ONE OF AMERICA'S MOST CHERISHED IDEALS: THAT EVERY STUDENT HAS ACCESS TO ALL THE EDUCATION HE OR SHE CAN TAKE.

ESSENTIAL REFORMS TO FEDERAL STUDENT LOAN PROGRAMS

IN THE AREA OF STUDENT AID, WE HAVE MAJOR RECOMMENDATIONS TO CLARIFY THE PURPOSE, MODIFY THE TERMS, AND RESTRUCTURE THE ADMINISTRATION OF THE FEDERAL GOVERNMENT'S TWO MAJOR STUDENT LOAN PROGRAMS -- THE NATIONAL DIRECT STUDENT LOAN (NDSL) PROGRAM, AND THE GUARANTEED STUDENT LOAN (GSL) PROGRAM. THESE ARE THE LARGEST FEDERAL STUDENT LOAN PROGRAMS, WITH TOTAL LENDING IN FY 1979 OF ABOUT $3 BILLION; AND PROGRAM COSTS -- PRIMARILY FEDERAL INTEREST SUBSIDIES AND DEFAULT PAYMENTS -- NOW EXPECTED TO TOTAL $1.3 BILLION.

YOUR HEARINGS AND OUR OWN EXPERIENCE HAVE PROVIDED AMPLE EVIDENCE OF THE SEVERAL CHRONIC PROBLEMS WITH THESE FEDERAL LOAN PROGRAMS. THESE LONG-STANDING PROBLEMS OF UNCLEAR LOAN AVAILABILITY, ADMINISTRATIVE COMPLEXITY, HIGH DEFAULT RATES, UNEVEN AND OVERLAPPING PURPOSES, AND HIGH COSTS TO THE TAXPAYER HAVE CONVINCED US THAT MAJOR CHANGES IN THESE PROGRAMS ARE NOW REQUIRED.

WITH YOUR PERMISSION, MR. CHAIRMAN, I PROPOSE TO OUTLINE OUR PROPOSALS FOR LOAN REFORM, AND THEN TRY TO SET FORTH THE REASONS WHY WE BELIEVE THEY ARE SUPERIOR TO WHAT NOW IS IN PLACE AND WILL CORRECT THE LONG-STANDING WEAKNESSES THAT MANY OBSERVERS HAVE RECOGNIZED.

A NEED-BASED BASIC LOAN PROGRAM: REFORMING NDSL

WE RECOMMEND A COMPLETE OVERHAUL OF THE CAMPUS-BASED NDSL PROGRAM. THE FEDERAL GOVERNMENT WOULD ASSUME THE RESPONSIBILITY FOR THE FINANCIAL AND ADMINISTRATIVE MANAGEMENT OF THE PROGRAM. THE CAMPUS-BASED FINANCIAL AID OFFICER WOULD BE RESPONSIBLE FOR ASSESSING THE AVAILABLE FEDERAL, STATE, INSTITUTIONAL AND FAMILY RESOURCES, AND FOR TAILORING THE AID PACKAGING TO THE INDIVIDUAL NEEDS OF EACH STUDENT.

The Basic Loan program would have the following features:

- Federal capital would be used to assure access to loans;
- All undergraduate and graduate students -- except those attending graduate and professional schools in the health professions, business, and law -- would be eligible;
- Loans would be strictly limited to unmet need;
- Unmet need would be calculated by taking into account the family contribution, scaled to available family income; Federal, State, local, or institutional grants; and a student self-help contribution of $700. Student financial aid officers would have discretion to waive the self-help requirement in unusual circumstances.
- While most students would be eligible, more than 85% of Basic Loan funds would go to students from families with incomes less than $20,000;

- Basic Loans would be subsidized by the Federal Government at interest levels substantially below the market rate. They would carry an interest rate of 7%, or the Treasury bill rate minus 1%, whichever is less. Students would pay no interest while in school and until 4 months after completion of their course of study;
- Loan amounts would be limited to $3,750 annually and $12,500 cumulatively for undergraduates, and $5,000 annually and $25,000 in the aggregate for both undergraduate and graduate study;
- We would continue to rely upon institutions and their skilled financial aid officers to work out student aid packages, including the loan components, directly with students; the Federal Government would provide the capital and be responsible for loan collection;
- The terms for repayment by the student would be variable.

A Supplemental Loan to Spread Educational Costs: Reforming GSL

We recommend maintaining the basic dependence on private capital, but we recommend redirection to assist parents and students to meet the required family contribution and/or the proposed $700 student self-help requirement. These liquidity loans would have the following features:

- They would be available to all students, regardless of family income, with educational needs not met by other sources;
- We would establish the interest rate for these liquidity loans at the Treasury bill rate plus 1%, as contrasted with the 7% rate for the Basic Loans;
- Lenders would receive a special allowance of 2.5% to keep Supplemental Loans competitive with other banking investments.
- We would not forgive interest, as under the current GSL while students are in school. Instead, the amount of the loan request would be increased at the outset to cover the student's interest payments for the in-school period.
- Capital for the Supplemental Loan program would be provided by the private sector, with loans being insured by State guarantee agencies and the Federal Government, as in the current GSL program.

- Loan amounts would be limited in two ways: first, students could not borrow more than their cost of education minus any Federal, State, or institutional assistance; and, second, loan maximums would be set;
- The amount borrowed under the Supplemental Loan program, when combined with any amount borrowed under the Basic Loan, could not at any time exceed $20,000 for undergraduates and $40,000 for both undergraduate and graduate studies;

Rebuilding "Sallie Mae" as a Government-Managed Agency like "Ginny Mae"

In 1972, Congress chartered a specialized, for-profit, privately-managed financial institution that became known as "Sallie Mae." This institution was designed to provide a secondary market for student loans originated by commercial banks, and to attract and expand private capital for the underwriting of student loans.

The original "Sallie Mae" concept was valuable and well worth a trial run. After nearly five years experience, however, all available evidence suggests to us, and to others who have studied it closely, that the services and benefits provided by Sallie Mae are not worth the public costs.

For example, instead of attracting private capital, Sallie Mae has become 98% dependent on access to capital from the Federal Financing Bank. It, then, lends this money to commercial banks at a greater interest rate than it pays to the Bank. Sallie Mae has not used its privileged position to stimulate the availability of student loan resources throughout the country in small and medium sized financial institutions. Rather, it has pursued policies that concentrate its relationship with the biggest, strongest banks in a relatively small number of major cities; policies that maximize its profits and ease its administrative burden.

In short, this profitable, privately-controlled-and-managed enterprise, whose chief executive officer receives an annual salary of $130,000, is kept afloat with Federal Government guarantees and subsidies. After careful study, we recommend an orderly termination of the "Sallie Mae" experiment.

To substitute for "Sallie Mae," we seek authority from the Congress to create a new financial agency to manage, the proposed Basic Loan program, and to provide the needed secondary market for the proposed Supplemental Loan program.

The new educational financing agency would be structured along the lines of "Ginny Mae" in the Department of Housing and Urban Development, with a president appointed by the Secretary, compensated in accordance with government pay scales, and obligated to maximize the public interest rather than private profitability.

A Comparison of the Administration's Loan Reform Proposals with Current Programs

I want to underscore the main differences between these proposals and the current programs, and our reasons for recommending changes.

More Students Aided Under the New Programs

- Under the Basic Loan Program, 35% more students -- 1.2 million -- will be aided in 1981, than in 1980 under NDSL. The average loan will increase to $720; and, as the program is phased in, we can expect that loan averages will continue to increase.

- The Supplemental GSL Loan Program will serve fewer students, and the size of the average loan will decrease from $2000 to $1600. Most students will have their educational costs met through the grants, self-help, and Basic Loans, needing Supplemental Loans only to meet liquidity needs.
- By 1983, 2.7 million students will receive loans under the new programs -- an increase of 500,000 from current levels. These revised programs will ensure that every student who needs a loan will be able to obtain one.

- Loan Availability and Considerations of Equal Treatment and Fairness

  Our Basic Loan proposal will assure that any student who needs additional funds to obtain a postsecondary education will be able to receive a loan. This program will be modeled on the successful concept of the Basic Educational Opportunity Grant Program, which uses a national system to distribute available funds fairly to eligible students, regardless of where they live or go to school.

THE CURRENT NDSL PROGRAM HAS CLEARLY NOT ACHIEVED THE GOAL OF EQUITABLE DISTRIBUTION OF FUNDS. DESPITE THE INFUSION OF $4.3 BILLION IN FEDERAL CAPITAL OVER 20 YEARS, 2700 OF THE NATION'S 6000 POSTSECONDARY INSTITUTIONS NOW PARTICIPATING IN THE BASIC GRANT PROGRAM ARE EITHER UNABLE OR UNWILLING TO MEET THE 10% NDSL MATCHING REQUIREMENTS, OR TO SERVICE AND COLLECT LOANS, AS REQUIRED. STUDENTS ATTENDING THESE SCHOOLS, THEREFORE, ARE NOT ABLE TO OBTAIN THE LOW-COST LOANS.

FURTHERMORE, UNDER THE CURRENT NDSL STATE ALLOCATION FORMULA, STUDENTS IN THE SAME CIRCUMSTANCES ARE TREATED DIFFERENTLY. THE FORMULA DOES NOT DISTRIBUTE LOAN FUNDS ACCORDING TO ACTUAL STATE LOAN NEEDS, AND ALLOCATIONS TO INSTITUTIONS WITHIN STATES ALSO RAISE ISSUES OF EQUITY.

BECAUSE OF THE INADEQUACIES OF NDSL, MANY NEEDY STUDENTS HAVE TRIED TO TURN TO GSL. BUT PRIVATE LENDERS IN THE GSL PROGRAM FREQUENTLY HAVE NOT SERVED THE POOR, MINORITIES, AND WOMEN STUDENTS FAIRLY, PREFERRING TO DEAL WITH THOSE STUDENTS WHOSE FAMILIES HAVE ESTABLISHED BANKING RELATIONSHIPS.

- **Bringing Interest Rates Up-to-date**

  The current interest rate of 3% for NDSL loans was set in 1958. It is hopelessly out-of-date and exceedingly costly to the taxpayer in an era when rates for long-term mortgages exceed 10%; and the market rate of interest for unsecured personal loans ranges from 12 to 15%.

  In light of changed economic conditions, we propose an interest rate of 7% (or 1% below the Treasury bill rate, whichever is lower) for the Basic Loan -- a rate still several points below the current rate for commercial loans or home mortgages.

- **Improving Administration**

  Our Basic Loan proposal will Federalize loan servicing and collections. Universities are not by temperament or by organization equipped to act as bill collectors and they should not be asked to divert precious resources to such efforts.

  For many years, both GSL and NDSL have been attacked by critics in the Congress and elsewhere for their high default rates and poor collection efforts.

Recently, I set in motion new efforts and procedures to deal with these problems in both programs. In the government-managed GSL program, we have collected more defaulted loans during the first 9 months of this fiscal year than throughout the entire 2 previous years combined --$30.5 million, which amounts to 38% of the total $80 million collected on defaulted loans since the program began in 1965. Over this same period, the number of defaulters was reduced from nearly 400,000 to 237,000. Based on these statistics, the backlog of defaulted loans in the GSL program should be eliminated within the next 18 months.

The story with regard to NDSL is a sharp contrast. Despite several actions we took in FY 1978 to assist postsecondary institutions in improving the administration of the NDSL program, I regret to report that defaults under that program continue to rise. Between June 30, 1977, and June 30, 1978, the latest period for which figures are available, NDSL student defaults rose from 713,000 to more than 841,000, and the amount of money in default rose to more than $700 million.

We cannot permit defaults in this program to continue increasing. It is, in part, for this reason that we are proposing our Basic Loan program with the Federal Government assuming administrative responsibility for the program.

- Sharpening the Supplemental character of the GSL Program

  The new Supplemental Loan Program will provide loans for students and -- for the first time -- parents who want to spread the costs of postsecondary education over a longer period of time. This continues the focus of the current GSL program which has served this population more effectively than it has served the needy.

- Controlling the Costs of Federal Loan Subsidies

  The new Supplemental Loans, designed to meet family liquidity problems or to substitute for the required work contribution that we propose, will be priced accordingly: the interest rate will be Treasury bill plus 1% -- still cheaper than the market rate for personal loans -- and in-school interest costs will be deducted from the loan, not forgiven.

The terms of the present GSL, with rates of 7% and forgiveness of in-school interest, are acceptable for need-based loans, but cannot be justified for loans of convenience at a time when home mortgages have rates of more than 10% and personal loans have rates of 12-15%.

Middle-income students, currently participating in GSL, who have a "remaining need" for loans will continue to receive substantial interest subsidies and payment of in-school interest under the Basic Loan program.

Administrative Reforms

To complement our student loan reform proposals we also recommend the following two administrative reforms designed to improve the method for determining aid, to simplify the application process, and reduce paperwork.

o Adoption of a Single Needs Analysis System

We seek statutory authority to develop and implement a single needs analysis system for all Federal need-based student aid programs. Developed in close consultation with the Higher Education Community, the

RESULTING NEEDS ANALYSIS SYSTEM -- LIKE THE PRESENT FAMILY CONTRIBUTION SCHEDULE USED FOR THE BEOG'S PROGRAM -- WOULD BE SUBJECT TO CONGRESSIONAL REVIEW.

AT PRESENT, AS YOU KNOW, TWO MAJOR METHODS ARE USED TO CALCULATE A FAMILY'S EXPECTED CONTRIBUTION TO THEIR CHILD'S EDUCATION:

-- THE BASIC GRANTS FAMILY CONTRIBUTION SCHEDULE IS USED FOR FEDERAL BEOG GRANTS;

-- THE UNIFORM METHODOLOGY IS WIDELY USED FOR OTHER FEDERAL CAMPUS-BASED AID PROGRAMS, AND BY STATES AND INSTITUTIONS FOR THEIR OWN STUDENT AID PROGRAMS.

-- BECAUSE THESE SEPARATE "NEEDS ANALYSIS" SYSTEMS YIELD A DIFFERENT EXPECTED FAMILY CONTRIBUTION FROM THE SAME FAMILY, STUDENTS AND FINANCIAL AID OFFICERS NOW MUST COPE WITH BOTH THE COMPLEXITY AND CONFUSION OF TWO DISTINCT DETERMINATIONS OF "NEED," DEPENDING ON WHICH SCHEDULE IS USED.

-- Our recommendation strives to bring together the professional experience of more than a decade behind one system that will end the complexity and confusion of present arrangements.

o Adoption of a Single Application Form, with the Costs of Processing Borne by the Government Rather than the Applicant

Students, parents, and institutions have also been plagued by complexity and confusion resulting from the multiple application forms required to obtain Federal, State, and institutional aid.

For the past 2 1/2 years, we have been working on developing a single application form. We now have such a form ready for implementation in academic year 1980-81.

While the use of this single form for Federal programs clearly falls within the scope of HEW's administrative authority, we recommend that the Congress ensure the continuation of the single form in future years by mandating its use in the statute.

THIS PROPOSED REFORM IS NOT, OF COURSE, INCONSISTENT WITH CONTINUED UTILIZATION AND PROCESSING OF THIS SINGLE APPLICATION FORM ON A DECENTRALIZED BASIS BY EDUCATIONAL INSTITUTIONS AND INTERMEDIARY ORGANIZATIONS TO ENSURE CAREFUL INTEGRATION OF FAMILY, INSTITUTIONAL, AND OTHER RESOURCES WITH AVAILABLE FEDERAL AID.

WE ALSO RECOMMEND THAT THE FEDERAL GOVERNMENT -- NOT THE APPLICANT -- BEAR THE COSTS OF PROCESSING THIS LEGISLATIVELY MANDATED FORM.

o ADOPTION OF A FRAMEWORK FOR PACKAGING AID

WE BELIEVE THAT PACKAGING OF STUDENT AID RESOURCES FOR AN INDIVIDUAL STUDENT IS BEST HANDLED AT THE INSTITUTIONAL LEVEL, AND STUDENT FINANCIAL AID OFFICERS MUST CONTINUE TO HAVE AUTHORITY TO EXERCISE DISCRETION IN THIS PROCESS.

STUDENT ELIGIBILITY REFORMS

WE FAVOR A NUMBER OF PROPOSALS TO CLARIFY THE TARGET POPULATION ELIGIBLE FOR STUDENT AID.

- Attendance Status

  We recommend retention of the current requirement that a student must be enrolled in postsecondary education at least half-time to be eligible for Federal student aid. Students with at least this degree of commitment have the most need for student aid.

- Standards of Academic Progress

  The Administration proposes that a student must successfully complete at least 50% of the course load undertaken using Federal student aid during a given period of enrollment (generally the prior academic year) in order to be eligible for Federal aid in a subsequent period of enrollment. This requirement will assure that students are proceeding toward their degree at a satisfactory rate of progress. The legislation should permit waiver of this requirement for demonstrated hardship circumstances.

- Definition of Dependent Student and Independent Student

  We want to ensure that parents continue to assume some responsibility for their children's college costs, therefore, the Administration recommends legislation that treats all young adults under the age of 23 as dependent students -- whether claimed on their parent's income tax form or not -- unless these students are married or have dependents of their own.

Institutional Eligibility

The Administration has searched for the most efficient and least intrusive mechanisms to ensure that the institutions which benefit from Federal student aid dollars are in fact meeting student needs.

- Accreditation and Eligibility

  Accreditation is one of several statutory requirements that an institution must currently meet to establish threshold eligibility for Higher Education Act programs. The Higher Education Act requires the Commissioner of Education to publish a list of accrediting agencies determined to be reliable authorities on the quality of education offered. These agencies, in turn, certify the schools.

  The Administration recommends that Congress sever the link between private accreditation and institutional eligibility for Federal programs encompassed in the Higher Education Act.

-- FEDERAL RELIANCE ON PRIVATE ACCREDITATION MISLEADS PARENTS AND STUDENTS TO BELIEVE THAT THE FEDERAL GOVERNMENT VOUCHES FOR THE QUALITY OF ANY INSTITUTION RECEIVING FEDERAL FUNDS.

-- FEDERAL REGULATION OF PRIVATE ACCREDITATION AGENCIES IS AN UNNECESSARY FEDERAL INTRUSION INTO THE EDUCATION COMMUNITY. IT CAUSES NEEDLESS PAPERWORK FOR THE ACCREDITING AGENCIES, POST-SECONDARY INSTITUTIONS, AND THE GOVERNMENT.

-- PRIVATE ACCREDITING AGENCIES WILL BE FREED FROM FEDERAL OVERSIGHT AND REGULATION AND ALLOWED TO CONCENTRATE ONCE AGAIN ON THEIR CENTRAL MISSION OF ASSESSING THE QUALITY OF EDUCATION.

-- IN LIEU OF THE CURRENT STATUTORY REQUIREMENT, FEDERAL PROGRAM MANAGERS WILL RELY MORE HEAVILY ON PROCEDURES FOR STATE LICENSING OF INSTITUTIONS, AND WILL ENFORCE MORE CLOSELY EXISTING AND PROPOSED REQUIREMENTS FOR ACCOUNTABILITY OF FEDERAL FUNDS BY INSTITUTIONS.

- Increasing Student Information Requirements

  We ask Congress to make the existing student information requirements found in the law a prerequisite for institutional eligibility for student aid programs. In addition, all institutions receiving this aid will have to provide information about services and facilities for handicapped students. Those institutions preparing students for employment in specific fields will have to provide placement data on recent graduates.

- Fraud and Abuse Prevention

  We recommend establishing standards of administrative and fiscal responsibility as a pre-requisite for institutional eligibility for student aid funds. These standards include fair and equitable refund policies, institutional agreement to provide validation and record-keeping support for the student aid programs, and the reporting of drop-out rates.

ADMINISTRATIVE COST ALLOWANCES

INSTITUTIONS THAT MEET FEDERAL ELIGIBILITY REQUIREMENTS SHOULD HAVE AVAILABLE A RELIABLE SOURCE OF FUNDS TO MEET THE COSTS OF ADMINISTERING FEDERAL STUDENT AID FUNDS. WE PROPOSE LEGISLATIVE INITIATIVES THAT WOULD PROVIDE RECIPIENT INSTITUTIONS TEN DOLLARS FOR EACH FEDERAL STUDENT AID RECIPIENT.

SIMPLIFYING GRANT AND WORK-STUDY PROGRAMS

IN CONTRAST TO THE IMPORTANT AND, IN SOME CASES, FAR-REACHING RECOMMENDATIONS WE HAVE MADE TO REFORM FEDERAL LOAN PROGRAMS, WE PROPOSE TO MAINTAIN THE BASIC STRUCTURE OF THE FEDERAL GRANT ASSISTANCE PROGRAMS. OUR RECOMMENDATIONS, HOWEVER, WOULD STREAMLINE THEIR ADMINISTRATION, DISTRIBUTE FUNDS MORE EQUITABLY, AND ENCOURAGE ADDITIONAL STATE INVESTMENT IN STUDENT AID. WE INTEND TO:

- ADDRESS THE INCREASING COSTS BORNE BY STUDENTS BY INCREASING THE ANNUAL AND AGGREGATE MAXIMUM AWARDS IN THE SUPPLEMENTAL GRANT PROGRAM.

- ESTABLISH UNIFORM PROCEDURES FOR DETERMINING OFF-CAMPUS LIVING COSTS IN THE CAMPUS-BASED PROGRAMS.

- Make life easier for student financial aid officers by streamlining administration at the institutional level.

- Encourage greater State investment in student aid by increasing the State matching requirements in the State Student Incentive Grant Program.

PROGRAMS THAT ASSIST SELECTED INSTITUTIONS TO MEET MAJOR NATIONAL NEEDS

Several Titles of the Higher Education Act convey authority to provide Federal funds to assist selected institutions to meet major national needs.

In this section of my testimony, I want to present the Administration's views and recommendations for three Titles having that general purpose:

Title III: the Developing College Program;
Title VII: Programs to Support Facilities' Needs in Higher Education; and,
Title I: Higher Education and Community Service Activities

Title III: Strengthening the Federal Contribution to Developing Colleges

President Carter's commitment to historically black colleges, and to other institutions that offer special access to those with financial need, is strong and enduring. In keeping with this commitment, we are proposing a one-quarter billion dollar program for developing colleges -- more than double the current authorization level.

Inspired by the civil rights movement of the 1960's, Title III, the "Developing Colleges" program, was established to help colleges, particularly traditional black colleges fulfilling a vital national need, to improve their academic and financial standing.

Unfortunately, neither the original legislation, nor subsequent reauthorization defined either a clear purpose or a focused clientele for this program. In recent years, as the Committee is aware, there has been increasingly sharp competition for the limited funds available between such disparate institutions as public, community-based two year colleges; private, liberal arts colleges; relatively new public universities serving large proportions of disadvantaged students, often in urban areas; and the historically black colleges and universities, generally private in character, for which the program was intended.

The Title III program has had other problems and weaknesses. Many recipient institutions have been receiving aid for more than a decade without demonstrably improving their financial viability. Nothing in the current legislation encourages recipients of these funds to implement long-range plans which will lead to economic self-sufficiency. The General Accounting Office has been especially critical of this deficiency.

Moreover, the existing law recognizes no concurrent responsibility on the part of the States for upgrading through carefully planned development the public institutions which receive funds under this Title. This weakness provides a partial explanation for their demonstrable lack of progress in moving away from dependence on the program, particularly for black public institutions in the South.

The Administration's recommendations will remedy these weaknesses. Our proposals:

o Clarify the Purpose of Title III, and the Institutions Eligible for Assistance

  In lieu of the general and vague present statement of purpose, we believe Title III should be targeted to institutions with student populations that are disproportionately needy in financial terms, and with

A NEED FOR FEDERAL ASSISTANCE TO ACHIEVE FINANCIAL STABILITY. WE WOULD, IN SHORT, REDIRECT THE TITLE III PROGRAM TO ENSURE THAT IT COMPLEMENTS THE MAJOR FEDERAL COMMITMENT TO NEED-BASED PROGRAMS OF STUDENT AID. WE WOULD ALSO RETAIN, AND NOT LIBERALIZE, THE CURRENT, STATUTORY 24% SET ASIDE FOR TWO-YEAR COLLEGES.

o INCREASE SUBSTANTIALLY THE AUTHORIZATION LEVEL FOR THE CURRENT PROGRAM, FROM $120 MILLION TO $200 MILLION ANNUALLY

THE COMMITTEE IS FAMILIAR WITH THE PRESIDENT'S SPECIAL INTEREST IN THE WELL-BEING AND PROGRESS OF THE NATION'S TRADITIONALLY BLACK COLLEGES. THIS PROGRAM IS CENTRAL TO THESE PROSPECTS. WE INTEND THAT THE RESOURCES DEVOTED TO IT MATCH THE PRESIDENT'S COMMITMENT, AND THE NEEDS OF OTHER ELIGIBLE INSTITUTIONS THAT SERVE LARGE NUMBERS OF DISADVANTAGED STUDENTS.

- **Add A New "Challenge Grant" Program to Attract State and Private Resources to the Well-Being of Recipient Institutions**

  We propose to add to the established Title III program a new initiative, with a separate annual authorization of $50 million, that would stimulate a partnership between the Federal government and the States in the case of public institutions, and the Federal Government and the private sector in the case of private institutions.

  As we look to a future of financial pressure on all institutions of higher education, the public interest requires that all parties with a stake in the survival and future development of these institutions accept a fair share of the responsibility for their encouragement and support. Under the proposed Title III challenge grant program, available Federal funds will only flow to public and private institutions when States and private sources, respectively, are willing to provide 50% of the requested supplemental Title III grant.

We believe our proposed legislative reforms will reshape the Title III program to serve purposes and institutions that are truly providing a critical national service.

TITLE VII: TECHNICAL LEGISLATIVE CHANGES TO PERMIT FEDERAL SUPPORT FOR EQUIPMENT AND FACILITIES MODERNIZATION IN THE NATIONS MAJOR RESEARCH UNIVERSITIES

IN MARCH, I EMPHASIZED THE PRESIDENT'S COMMITMENT TO MAINTAINING THE VITALITY OF AMERICA'S BASIC RESEARCH CAPACITY. THIS NATION IS HEAVILY DEPENDENT ON THE MAJOR RESEARCH UNIVERSITIES FOR THE CONDUCT OF BASIC RESEARCH. THESE UNIVERSITIES ARE RESPONSIBLE FOR THE RESEARCH PROGRAMS THAT HAVE INCREASED AMERICA'S INDUSTRIAL PRODUCTIVITY, FOUGHT DISEASE, AND KEPT OUR COUNTRY SECURE. SPECIFICALLY:

o MORE THAN ONE-HALF OF THE BASIC RESEARCH CONDUCTED SINCE 1970 HAS COME FROM ACADEMIC INSTITUTIONS; AND

o RESEARCH UNIVERSITIES WILL RECEIVE OVER HALF OF THE MORE THAN $4 BILLION FEDERAL DOLLARS INVESTED THIS YEAR TO SUPPORT THE CONDUCT OF BASIC RESEARCH.

TODAY, THE ADMINISTRATION RECOMMENDS AN IMPORTANT NEW INITIATIVE TO SUSTAIN THE LEADERSHIP OF THE UNITED STATES IN BASIC RESEARCH. WE PROPOSE A NEW FIVE-YEAR PROGRAM, WITH ANNUAL AUTHORIZATION OF $50 MILLION, TO ENSURE THAT OUR RESEARCH UNIVERSITIES WILL HAVE THE FACILITIES AND EQUIPMENT THEY NEED. TO HELP ACCOMPLISH THIS OBJECTIVE, TECHNICAL CHANGES WILL BE NECESSARY IN TITLE VII, PART E, OF THE HIGHER EDUCATION ACT.

We undertake this initiative because, in recent years, a number of financial pressures have made it increasingly difficult for universities to sustain the research enterprise already in place. Thus, they have not been able to build on existing strengths to meet new challenges. These deficiencies threaten an erosion of our national research capacity. We simply cannot permit this to happen, especially at a time when other countries are significantly expanding their research investment. The United States has been writing checks on its research account for too long. It is time that we start to make some deposits. It is the best investment we can make in a strong and healthy America.

We must deal with several financial pressures threatening our capacity to conduct basic research:

o Reduced Federal Support for Facilities and Equipment.

For example, between 1965 and 1976, annual Federal underwriting of Research and Development plant at colleges and universities declined by 81% from $126 million to $24 million (current dollars). Factoring

IN THE EFFECTS OF INFLATION OVER THIS SAME PERIOD, THE DECLINE IN FEDERAL SUPPORT HAS BEEN EVEN MORE SEVERE.

- RENOVATION COSTS FOR AGING FACILITIES

  MANY OF THE LEADING RESEARCH FACILITIES WERE CONSTRUCTED 20 OR MORE YEARS AGO. TODAY, THESE FACILITIES ARE SHOWING SIGNS OF AGE AND WILL REQUIRE SUBSTANTIAL RENOVATION.

- NEW FEDERAL REQUIREMENTS

  NEW COSTS HAVE BEEN IMPOSED IN RECENT YEARS BY FEDERAL REQUIREMENTS IN SUCH AREAS AS: (1) OCCUPATIONAL HEALTH AND SAFETY; (2) THE HANDLING OF DANGEROUS BIOLOGICAL MATERIALS; (3) THE IMPROVEMENT OF ANIMAL CARE FACILITIES; AND, (4) THE DISPOSITION OF HAZARDOUS WASTES. THESE REQUIREMENTS ARE IMPORTANT, BUT THEY ALSO MEAN MORE EXPENSE.

- RISING COSTS AND AN INCREASING PACE OF OBSOLESCENCE FOR RESEARCH EQUIPMENT

  RECENT STUDIES HAVE FOUND THAT ANNUAL COST INCREASES FOR SCIENTIFIC INSTRUMENTATION ARE RUNNING ABOUT 4 TO 5 PERCENTAGE POINTS ABOVE THE GENERAL INFLATION RATE

At the same time, research-related equipment is becoming obsolete within a very few years. The combined result is that research universities are caught in a vise between the spiraling costs of essential equipment and its decreasing useful lifetime.

Current Estimates of Modernization Costs

Because of these pressures, research universities have been unable to meet many of their equipment and facilities needs. Estimates of their current needs vary:

- The last systematic effort to document equipment needs was a survey of 10 scientific disciplines jointly conducted by the National Science Foundation and the National Academy of Sciences in 1971-72. At that time, an accumulated deficit of $276 million existed for equipment needs alone.

- In a 1977 report, the presidents of 15 major research universities estimated that $100 million will be needed for each of the next three years to reduce the current backlog of equipment needs and $150 million annually over an extended period for facilities renovation.

o Most recently, 9 universities have been surveyed to obtain more detailed information on their current equipment and facilities needs. Preliminary estimates indicate that these institutions, which account for about 15% of the Federally funded R&D at all colleges and universities, have accumulated $225 million in unmet facilities and equipment needs.

In order to prevent further erosion in the research capabilities of these institutions and of the Nation, a new Federal initiative supporting research facilities and equipment is essential.

Title I: Higher Education and Community Service Programs

Neither this Administration nor its predecessors have given funding priority to the use of university resources for community service. A low priority has also been given to continuing education activities authorized under Title I of the Higher Education Act, funded through State Education Departments on a formula grant basis.

TODAY, WE RECOMMEND THAT THIS AUTHORITY BE RESTRUCTURED INTO TWO DISTINCT SECTIONS, DEVOTED, FIRST, TO THE UNIVERSITY AND COMMUNITY SERVICE AND, SECOND, TO THE UNIVERSITY AND CONTINUING EDUCATION ACTIVITIES. WE ALSO RECOMMEND THAT THE CLEARLY LIMITED FUNDS AVAILABLE TO SUPPORT THE COMMUNITY SERVICE PROGRAM ACTIVITIES BE AWARDED THROUGH A PROJECT GRANT COMPETITION AT THE NATIONAL LEVEL.

IF RESTRUCTURED IN THIS MANNER, TITLE I WOULD PROVIDE THE AUTHORITY FOR A PROGRAM OF GRANTS TO UNIVERSITIES EXPERIENCED, AND SERIOUSLY ENGAGED, IN HELPING WITH THE HEALTH, EDUCATION, HOUSING AND OTHER SOCIAL NEEDS OF THEIR COMMUNITIES -- A PROGRAM, MR. CHAIRMAN, THAT YOU HAVE LONG AND ENERGETICALLY ADVOCATED FOR UNIVERSITIES IN URBAN AREAS. WE BELIEVE THIS PROGRAM SHOULD INCLUDE UNIVERSITIES IN RURAL AS WELL AS URBAN AREAS, IN SMALL AND MEDIUM-SIZED, AS WELL AS LARGE CITIES. IF REDESIGNED AS WE RECOMMEND, I PROMISE THAT THE EXECUTIVE BRANCH WILL TAKE A HARD, NEW LOOK AT OUR FUNDING POLICIES IN FISCAL YEAR 1981.

MR. CHAIRMAN, I HAVE DISCUSSED AT SOME LENGTH THE ADMINISTRATION'S MAJOR RECOMMENDATIONS FOR REAUTHORIZATION OF THE HIGHER EDUCATION ACT. MANY OTHER CHANGES THAT WE PROPOSE ARE OUTLINED IN A DETAILED APPENDIX TO THIS TESTIMONY. TWO OF THESE I WILL MENTION BRIEFLY:

-- College Libraries. We are proposing two key changes to Title II. First, Part A would be amended to target basic grants on clearly deficient library collections. Second, in Part B we propose to consolidate a number of existing Research and Development authorities designed to promote cooperative efforts, resource sharing, collection efficiencies, and other innovative strategies.

-- International Education. We are proposing to incorporate the important objectives of the International Education Act into the currently funded Title VI of the National Defense Education Act. We believe these changes will broaden the scope, clientele, and ultimately the impact of our existing international education activities.

Beyond the substantive purposes and provisions that I have discussed, we want to make a major contribution to streamlining and simplifying Federal higher education programs in this reauthorization effort. Students should not be faced with complicated and burdensome forms and restrictions. Institutions need the flexibility to exercise reasonable judgment without the blizzard of paperwork that

SO OFTEN ACCOMPANIES FEDERAL ASSISTANCE. THE STATES AND THE FEDERAL GOVERNMENT SHOULD HAVE A CLEAR UNDERSTANDING OF THEIR RESPECTIVE RESPONSIBILITIES. UNNECESSARY LEGISLATION, BUREAUCRACY AND RED TAPE SHOULD BE ELIMINATED AT ALL LEVELS OF THE GOVERNMENT.

WITH YOUR PERMISSION, I'D LIKE TO CLOSE BY HIGHLIGHTING OUR MOST IMPORTANT PROPOSALS THAT REFLECT THESE ADMINISTRATIVE GOALS OF SIMPLICITY AND REFORM:

- FOR STUDENTS WE PROPOSE:
  - A SINGLE NEEDS ANALYSIS SYSTEM WHICH APPLIES TO ALL FEDERAL STUDENT AID PROGRAMS AND WHICH IS FREE TO THE STUDENT;
  - AN OBLIGATION UPON INSTITUTIONS TO PROVIDE INFORMATION ABOUT THEIR REFUND POLICIES, THEIR SUCCESS IN PLACING GRADUATES IN JOBS, AND THEIR STUDENT ASSISTANCE RESOURCES, ESPECIALLY AID TO HANDICAPPED STUDENTS;
  - A COHERENT APPROACH TO "PACKAGING" STUDENT ASSISTANCE

TAKEN TOGETHER, ALL THESE PROPOSALS SHOULD GIVE PARENTS AND STUDENTS MORE AND BETTER INFORMATION TO MAKE SOUNDER EDUCATIONAL CHOICES.

o For institutions we propose:

-- To relieve them of the responsibility for collecting student loans;

-- To permit them to use a school-wide average of tuition and room and board charges in calculating basic grant awards, instead of the actual charges for each student.

-- To retain their freedom to package supplemental grant funds, work-study funds, and basic loan funds to meet the particular and unique needs of students;

-- To allow them new flexibility to carry over to the next fiscal year up to 5% of their SEOG and work-study funds.

o For States we propose:

-- To reduce the State plan requirements in Titles I and VII;

-- To share with us the responsibility to help developing public institutions; and

-- To eliminate the requirement for section 1202 commissions.

o To consolidate parts of the Higher Education Act

-- We have eliminated Titles VI, X, and XI, and have greatly simplified Titles I, II, IV, VII, and IX.

Mr. Chairman, in March I underscored the great opportunity before us to strengthen and clarify the Federal role in postsecondary education during this reauthorization. We are challenged, on the one hand, by responsible critics who wish to see the Federal Government minimize its intrusion into higher education. On the other hand, we are also challenged by equally responsible critics who believe that we should assume wholesale general assistance for colleges and universities. Together we must walk the fine line between these two positions.

In this era of tight money, our proposals to clarify, reform, strengthen and simplify Federal education programs will demonstrate to taxpayers that management efficiency can lead to less expensive, yet more productive support to our educational institutions.

LEGISLATIVE PROPOSALS FOR THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

APPENDIX TO THE TESTIMONY OF
SECRETARY OF HEALTH, EDUCATION, AND WELFARE
JOSEPH A. CALIFANO, JR.

POSTSECONDARY BEFORE THE EDUCATION SUBCOMMITTEE
OF THE
HOUSE EDUCATION AND LABOR COMMITTEE

JULY 19, 1979

I. COMMUNITY SERVICE AND CONTINUING EDUCATION: HIGHER EDUCATION ACT, TITLE I

A. Overview of the Program

Program Purposes

There are three purposes to this Title. The first purpose is to assist in the solution of community problems by providing grants to strengthen community service programs of colleges and universities. The second purpose is to support the expansion of continuing education in colleges and universities. The third purpose is to support lifelong learning for the adult population of the United States.

Program Coverage and Funding

The first two purposes (community service and continuing education) are included in Part A. Funds for this part are allocated to States on the basis of the proportion of the total population of the United States residing in that State. The exception to this allocation is that 10 percent of the funds are set aside for discretionary grants which are made by the Commissioner. In 1979, the program is funded at $16 million. Of that, $14.25 million is distributed to the States using the allocation formula. This supports projects serving an estimated 400,000 adults at 700 participating colleges and universities. $1.6 million is available for discretionary grants which are awarded to institutions for projects related to national and regional problems. The remainding funds are used for technical assistance at the discretion of the Commissioner.

The third purpose, lifelong learning, which is in Part B (subsequent to the 1976 Amendments) has never been funded.

Program Operation and Effectiveness

The State Grant program is administered by agencies designated by the State governments. Each of these agencies develops a State plan, establishes priorities among problem areas and is responsible for reviewing and approving institutional proposals for support. The Federal funds are matched dollar for dollar from non-Federal funds.

Evaluations suggest that the program has resulted in heightening the awareness of institutions with regard to community problems and has led to some reallocation of funds to dealing with such problems.

B. TITLE I: SEPARATE COMMUNITY SERVICE AND CONTINUING EDUCATION INTO TWO SEPARATE PARTS (PART A, PART B)

The Proposal

The Administration proposes to separate Community Service and Continuing Education into two separate parts, and to remove the two 10 percent set-asides for special projects and technical assistance. Part B, Lifelong Learning would be incorporated into the new Continuing Education Part, which would provide a focus for services to the growing adult nontraditional student population in higher education. Funding for the Continuing Education Part would be on a State formula basis according to the adult population of the State. Institutions will be required to match one dollar for every two dollars of Federal grant aid. The Community Service Part would be a Federal discretionary grant program. It incorporates the focus of the legislation aimed at mobilizing urban universities for the solution of urban problems but extends the scope of the program to all settings.

Present Law

Title I presently is divided into a State formula program (Part A Community Service and Continuing Education) and a mixed discretionary and State formula program (Part B Lifelong Learning).

Reasons for Recommendation

The proposed changes would make clear the difference between the Community Service and Continuing Education programs. The Continuing Education Part would respond to the needs of the growing adult population and remain a State program. In addition, the relationship between continuing education and lifelong education would be made more clear by consolidating the two.

The present set-asides are not needed, since the proposed discretionary grants for the Community Service Part would effectively allow the Commissioner to make grants for special projects of national or regional problems, or for technical assistance to States or postsecondary institutions.

The new Community Service program establishes a strong discretionary authority which will allow the Federal government to help foster productive relationships between universities and their host communities.

7/19/79 3)

II. LIBRARIES: HEA TITLE II

A. OVERVIEW OF THE PROGRAM

Program Purposes

There are four purposes to the program: To assist eligible institutions in the acquisition of library resources (Part A); to provide support for research and demonstration projects for the improvement of libraries and training in librarianship in order to improve education quality; to support training and retraining of librarians and information scientists (both of these are included in Part B); to help research libraries maintain and strengthen their collections and make them more available (Part C). All of these purposes are intended to improve libraries, their administration and information access.

Program Coverage and Funding

All awards are at the discretion of the Commissioner. Each of the purposes described above is included in a separate program. In total, 2662 awards were made in FY 1978, of which 2568 were for Part A. These awards totalled almost $18 million. 1979 awards will be approximately the same.

7/19/79 4)

B. TITLE II: GRANTS TO IMPROVE COLLEGE LIBRARY RESOURCES (Part A, SECTION 202)

The Proposal

The Administration proposes to target the basic library support program on college libraries that are most in need of support to improve their resources. Rather than give $3900 to every applicant institution (including institutions like Harvard, Yale and Berkeley) as was done this year, this new provision would allow an increase in the size of grants to institutions with the weakest collections. The maintenance of effort provision would also be strengthened.

Present Law

Under current law (Part A, Section 202) all accredited academic institutions qualify for basic library grants. All institutions receive the same amount and the size of the award is determined by the number of applicants and the size of the appropriation, with a maximum grant of $5000.

Reason for Recommendation

Small grants are not particularly useful for either the very needy or the affluent institutions. This proposal would allow us to target limited resources to the institutions determined to be in need of assistance in upgrading their library resources and, by targeting, to increase the level even when appropriations remain constant. The measures used to assess the need of the institutions would be developed in conjunction with the library community. Some needy institutions would receive substantially greater awards than they have in the past. The strengthening of the maintenance of effort provision is to insure that the target institutions will continue to receive their share of the institutions' own resources.

C. TITLE II: CONSOLIDATED LIBRARY TRAINING, RESEARCH AND DEMONSTRATION AUTHORITY (PART B)

The Proposal

The Administration proposes to pull together under Part B three authorizations: (1) Special Purpose Grants for college libraries to support cooperative efforts and developmental projects designed to increase library efficiency; (2) the Library Research and Demonstration Program that promotes innovation and development of more effective library and information services; and (3) the Librarianship Training Programs.

Present Law

Authority for these activities is now found in Title II, Part A, Sections 203 and 204 (authority for Supplemental Grants and Special Purpose Grants); and Part B, Sections 221 and 222 (authority for Training and Research Programs).

Reasons for Recommendation

The proposal would place all innovative strategies for library research and development under Part B. It would provide incentives for libraries to increase their effectiveness and efficiency by sharing resources and developing new technologies for processing, storing and distributing information. Research and demonstration in these areas and dissemination of effective project designs would be funded. The proposal will also eliminate the awkward legislative set-asides that reduce the opportunity for a careful targeting of funds. The successful library training programs would be retained in Part B.

7/19/79 6)

III. STRENGTHENING DEVELOPING INSTITUTIONS: HEA TITLE III

A. Overview of the Program

The Current Program

Title III authorizes a program of discretionary grants to strengthen the academic quality of developing institutions, which are defined as "struggling for survival" and "isolated from the main currents of academic life." These terms are defined by regulations as meaning that the institutions serve large percentages of low-income students and have a relatively low salary and expense budget. The grants are awarded competitively on the basis of written applications and may be up to 5 years duration. Activities for which support may be provided include faculty development, curriculum development, administrative and management improvement, and student services. Two-and-four-year, public and private institutions are funded, and 24 percent of each year's appropriation is set-aside for two-year colleges.

The statute requires cooperative arrangements between the grantee developing institution and other colleges and universities, business firms, or organizations. It also authorizes National Teaching Fellowships and Professions Emeriti, and waives certain accreditation requirements for institutions on Indian reservations or those serving substantial populations of Native Americans or Spanish-speaking people.

Program Coverage and Funding

The program has been fully funded at $120 million in fiscal years 1979 and 1980; 300 institutions are receiving grants. The program is considered as a major institutional aid supplement to the student aid programs funded by Title IV, since these institutions serve large numbers of minority students, and educationally and economically deprived students.

B. DEFINITION OF PURPOSE (SECTION 301(a))

The Proposal

The Administration proposes that the purpose of the program be clarified in the statute. The new purpose would be to strengthen institutions which enroll large numbers of students from low-income families, which lack resources, and which are taking steps to improve their chances for survival.

Present Law

Title III, Sections 301 and 302(a), specify only that developing institutions are those that are "struggling for survival" and "isolated from the main currents of academic life."

Reason for Recommendation

The administration of this program has been hampered by the current language which is very broad and contains terms--such as "out of the academic maintream"--which are both outmoded and difficult to define administratively. The proposed language would eliminate confusion and direct the funds to the neediest institutions.

The proposal language also conforms with existing regulation and therefore will maintain the existing set of institutions eligible for the program.

7/19/79 8)

C. LONG RANGE PLANNING: TITLE III (SECTION 304a)

The Proposal

The Administration proposes that applicants prepare a comprehensive development plan as part of their application for Title III grants. Very small, one-year grants would be permitted for the purpose of drafting such a plan. Within this plan, institutions would be required to address their needs in improving their academic program as well as their fiscal management. The plan would have to state measurable objectives for use in monitoring progress under the Title III grant.

Present Law

The current statute does not require such a plan.

Reason for Recommendation

Some Title III institutions lack a comprehensive development plan and consequently activities funded by the program may not fit into an overall strategy for institutional growth. Funds can be used most effectively when devoted to activities which are components of a comprehensive plan. Such plans will also be useful in making future-year funding decisions.

D. DURATION OF GRANTS: TITLE III (SECTION 304 C)

The Proposal

The Administration proposes that applicants for Title III development grants be offered two options:

- A grant of one to three years after which the institution could recompete for a Title III grant; or
- A larger one-time grant for up to seven years; the school receiving such a grant could not reapply.

Under both options schools would be required to specify measurable objectives to be achieved each year in order to continue to receive funding.

Present Law

Current law does not specify the duration for a grant. Present regulations allow grants listingup to five years.

Reason for Recommendation

This proposal provides institutions the option of a long-term commitment which would lead the institutions to self-sufficient status.

A seven year commitment from the Title III program would allow a school to devote itself to a more extensive plan of development. If the institution does not believe that seven years would be sufficient it would be able to compete for a shorter-term grant under the one-to-three year grant authority.

E. DEVELOPING INSTITUTION PROGRAM CHALLENGE GRANTS: TITLE III (SECTION 305(7))

The Proposal

The Administration proposes the establishment of an additional new authority for"Challenge Grants." These grants would offer funding on a 50-50 match basis to the same eligible institutions. However, eligible programs would be expanded to include those in graduate and professional schools. Institutions would compete for these funds according to the same criteria used in the regular program. Of a total proposed authorization of $250,000,000, $50,000,000 will be reserved for Challenge Grants.

Present Law

This would be a new authority.

Reasons for Recommendation

This proposal is intended to encourage States to bear a share of the responsibility for the development of public Title III institutions. In addition, private institutions eligible for Title III would also be encouraged to offer clear evidence of their commitment to self-sufficiency.

Because of the matching feature, the Challenge Grants are designed to bring more revenues into Title III schools and accelerate movement toward an institution's development goals. At the same time, however, the greater portion of appropriated funds will remain available for the regular grant program. Eligible institutions would still be able to compete for regular funds as they currently do without the need to match and will therefore not be penalized by a possible inability to acquire the required matching funds.

IV. STUDENT ASSISTANCE, LOANS: TITLE IV, PARTS B AND D

A. OVERVIEW OF THE PROGRAMS

1.) The National Direct Student Loan Program (NDSL) has the following provisions:

- Eligible Borrowers. Loans are made to financially needy students, both undergraduates and graduates, by participating schools.

- Source of Funds. Schools set up revolving loan funds maintained by Federal and institutional contributions (on a 9 to 1 ratio).

- Loan Limits. Loans are limited to $2,500 for the first two years of postsecondary study, a total of $5,000 for undergraduate study, and a total of $10,000 through graduate school.

- Terms of Repayment. Repayment may be over a ten year period (repayment schedule set by schools) with 3 percent interest, beginning 9 months after leaving school, with deferments and cancellations for specific kinds of public service.

- Program Management. Each institution is responsible for managing the funds, making loan awards and determinations of student need, and servicing and collecting the loans.

- Program Data. During academic year 1977-78, 794,000 students were aided with over $600 million in loans. Over 3,400 schools participate. The average loan was about $765. Over the program's history, since 1958, about $6 billion has been loaned to some 5.2 million students.

2.) The Guaranteed Student Loan Program (GSL) has the following provisions:

- Eligible Borrowers. All students attending more than half-time are eligible for a loan, without regard for family income.

- Source of Funds. Loans are made by commercial lenders, schools and State agencies utilizing some public and mostly private capital.

- Loan Limits. Loan limits are $2,500 per academic year for undergraduates with a $7,500 aggregate limit, $5,000 annually for graduate and professional students with a $15,000 aggregate maximum inclusive of earlier loans. Lenders often set their own limits and criteria for eligibility.

- Terms of Repayment. Repayment periods are set by the lender and may be between 5 and 10 years, with interest charged at 7 percent after leaving school.

- Program Operations. In GSL, the Federal government:

  - insures or reinsures the loans against student default losses;

  - subsidizes the lender by paying a special allowance (presently 5-5/8 percent) above the 7 percent charged the student;

  - pays the full interest on the loan while the student is in college and during periods of deferment;

  - provides, through the Federal Financing Bank, 98 percent of the capital which Sallie Mae has used to purchase loans and make low cost advances to lenders;

  - supports guarantee agencies by reinsuring student loans and by providing Federal advances and administrative allowances.

- Program Data. In fiscal year 1978, an estimated 1.08 million students received $2 billion to attend 8,120 schools. The average loan was about $1,900. Over $13 billion has been loaned since the inception of the program in 1965.

3.) The Student Loan Marketing Association (SLMA) chartered in this Act, is also an important element in the operation of GSL:

- In 1972, SLMA was established as a Federally-sponsored, private for-profit corporation to expand the availability of loan capital to GSL lenders.

- It does this by providing a "secondary" market for GSLs in which lenders can sell their student loans or obtain advances to make student loans. Specifically, SLMA purchases student loans at full face value from lenders. It can also advance to the lender funds in an amount up to 80 percent of the lender's outstanding student loans. In addition, Sallie Mae makes advance commitments to purchase loans from banks. SLMA has contract agreements with 400 of the total 8,500 active GSL lenders.

- Originally, SLMA was intended to raise private capital to support loan purchases and advances by issuing stocks and bonds. However, in 1974, SLMA was given the ability to borrow money from the Federal government through the Federal Financing Bank.

- Sallie Mae now has total purchases and advances of about $1.1 billion, about ninety-eight percent financed with Federal funds.

- Sallie Mae's income (before taxes) has increased from $0.6 million in 1974 to $11.4 million in 1978.

B. The Proposed Loan Programs

The Administration proposes the establishment of a Government Student Loan Association which will administer the major Federal student loan programs. This Association will be a separate agency within the Department. The chief officer of the Association will be appointed by the President with the advice and consent of the Senate and will report to the Secretary.

The NDSL program will be transformed into a need-based Basic Loan program. The Basic Loan would be the final element in the student's aid package. The package would be comprised of the expected family contribution; Federal, State, and private grants; student earnings or other forms of self-help in the minimum amount of $700; and finally the Basic Loan up to the total cost of education as determined under the proposed single needs analysis system.

1.) The Basic Loan program would have the following characteristics:

- Eligible Borrowers. Loans will be made to undergraduates and graduate students (exclusive of graduate students in health professions, law and business) who are attending half-time or more.

- Loan Amounts. Individual loans will be limited to net need (educational costs minus family contribution, BEOGs, other grants and a self-help component of $700). In addition there would be:
  - Annual limits of $3,750 for undergraduates and $5,000 for graduate students.
  - Cumulative limits of $12,500 for undergraduates to a total of $25,000 for both undergraduate and graduate.
- Interest Charges to Students. Students will be charged seven percent or the Treasury bill rate minus one percent, whichever is less. In-school interest payments will be forgiven for undergraduates but deferred for graduate students.
- Source of Capital. Loan capital will be provided by the new Association (which would be a Federal agency) from NDSL collections and borrowing from the Treasury.
- Making of Loan. The financial aid officer at the institution of attendance would make the determination of eligibility and loan amount. The institution would then disburse the funds drawing on the Association's line of credit at the institution.
- Collections. The Association would provide centralized servicing and collection of loans, and would have authority to contract for these functions.
- Terms of Repayments. All loans will be consolidated for repayment. The length of the repayment period would depend upon the size of the student's total loan obligation, with a shorter term for smaller loans and a maximum period of 20 years.

The GSL program would be changed into a Supplemental Loan program whose purpose would be to provide parents and students with a way to spread out some or all of their share of educational costs. This Supplemental Loan program is for parents as well as for students receiving Title IV assistance who would use this program only to supplement the aid package. For example this loan could be used to help meet the expected family contribution or the self-help component, or it might be needed in the case where the remaining cost of attendance exceeded the Basic Loan limits. Families who chose not to apply for other financial aid could use this Supplemental Loan to meet educational costs.

2.) The Supplemental Loan program would have the following characteristics:

- Eligible Borrowers. All undergraduate and graduate students who are attending half-time or more and their parents will be eligible.

- Loan Amounts. Annual borrowing will be limited so that the total of all assistance is not more than the cost of education. In addition there would be

  -- Annual limits of $5,000 for undergraduate and $10,000 for graduate students for the sum of the Basic and the Supplemental Loans.

  -- Cumulative Limits of $20,000 for undergraduates and $40,000 over both undergraduate and graduate years for both Basic and Supplemental Loans.

- Interest Charges to Borrowers. Borrowers will be charged at the rate of the Treasury Bill plus one percent. Interest payments will be made while in school.

- Source of Capital. Provided by private lenders (banks, institutions, etc.) with increased reliance on State Agencies or non-profit agencies appointed by a State or the Association to assure sufficient capital.

- Special Allowance Payments. The Federal government would pay lenders a constant special allowance of 2.5 percent above the borrower¦s interest rate.

- Collections. Primary or secondary lenders would be responsible for collections prior to default and the Association or State Agencies would be responsible subsequent to default (as in current GSL program).

- Terms of Repayment. Repayment terms will be set by the lender up to a maximum of 20 years.

- Secondary Market. A secondary market will be maintained by the Association which administers the Basic Loan program. It would be authorized to assume the loan paper held by Sallie Mae before or up to the time that the current guarantee for loans held by Sallie Mae would expire.

C. Rationale

The loan proposals are intended to accomplish two major objectives: to clarify the distinct purposes of the two programs, and to ensure access to loans for those students who have the greatest needs.

The NDSL program was designed to assist the neediest students. It accomplishes this objective but not fully:

- The size of loan a student is eligible for are set arbitrarily, not on the basis of the remaining need of the student after other sources of support -- including a reasonable family contribution -- are taken into account.

- Many poor students who need loans do not receive them for a number of reasons. NDSL funds are limited, both because of lack of growth of Federal contributions but also because of the high default rate in the program (currently about 17 percent); the amount of NDSL funds available to a given campus is not related to the aggregate need of students on that campus.

Low income students who do not receive NDSLs often cannot obtain GSLs. Lenders in GSL set many of their own criteria for making loans. Often poor students -- who have no banking relationship with the lenders and who are seen as poor credit risks (in spite of the underlying Federal guarantee) -- cannot obtain GSLs.

The loan proposal addresses the access objective through a Basic Loan program which would ensure access to loans up to the remaining need but only after other sources of support are taken into account. With this conceptualization for Basic Loans, the other program -- Supplemental Loans -- logically becomes a program to help families spread out their contribution to the student's needs.

In further detail, the proposed Basic Loan program would differ in other respects from the existing NDSL program:

- Equitable access to loans would be assured because it would be fully capitalized by the Federal government (through borrowing rather than appropriations). Further, it would be modeled on the concept of the Basic Educational Opportunity Grant program which uses a national system to distribute available funds equitably among all students regardless of where they live or go to school.

- The administration of the program would be improved by removing the responsibility for collections from the institutions and transferring it to the new and national lender. However, the responsibility for packaging the Basic Loan with other aid, and for determining (with the student) the amount of the loan would remain with the campuses to ensure that the total package meets the unique needs of specific students.

- Under the proposed Basic Loan program, interest rates charged the student would be set at 7 percent or one percent below the Treasury Bill rate, whichever is lower. We propose updating the interest rates charged students for several reasons:

  - The original concept of NDSL was to establish revolving funds which would eventually be maintained by collections and require no additional capital contributions. Given the increase in general interest rates, the 3 percent rate means that inflation constantly erodes the value of the revolving fund (even if collections are at an acceptable level), thus requiring continuing Federal contributions.

  - The 3 percent interest rate was set at a time (in 1958) at which Treasury rates were 3.3 percent and home mortgages were at about 5 percent, providing a significant but not overly large subsidy.

  - This rate was also set at a time when the Basic Grant program did not exist, and thus a subsidized loan program was the only assistance by the Federal government to poor students. Now, with grant assistance approaching $3.5 billion per year, the sizable subsidy is no longer necessary.

  - The proposed 7 percent would still represent a significant subsidy, given that consumer loans presently cost as much as 18 percent. It is also proposed that, if general interest rates decline, the interest rate for Basic Loans would also be reduced.

  - The program would also retain another substantial source of subsidy to the student in that interest while the student is in school would be forgiven.

- The current loan forgiveness feature of NDSL for entering into the teaching profession would be eliminated. At the time this provision was enacted, elementary and secondary enrollments were growing and there was a shortage of teachers. Now, with declining enrollments, the provision is no longer needed. In 1975-76, it is estimated that there were a surplus of over 90,000 qualified teachers, and demand for newly qualified teachers is not expected to increase until the mid-1980's when elementary and secondary enrollments may begin to rise again.

Through the Supplemental Loan program parents will be able to borrow their expected family contribution and students can borrow their expected self-help or educational expenses that exceed the borrowing limits in the Basic Loan program. Essentially, this program represents only a modest change from the current GSL programs; however, there are several crucial differences:

- The Supplemental Loan program would have as its clear purpose supplying liquidity to families and students, providing them with a means to spread out the costs of education, which they can reasonably be expected to meet.
- Parents -- as well as students -- would be eligible borrowers, in keeping with this purpose.
- It is also appropriate that interest rates for the Supplemental program be higher than for the Basic program since it serves as a substitute for a legitimate family contribution. However, that rate -- Treasury bill plus one percent -- still represents a substantial subsidy in comparison with the family's alternative forms of borrowing.
- For this reason it is also appropriate that the interest rate be variable, just like other loans -- house mortgages, auto and consumer loans -- families obtain.

7/19/79 19)

Secondary Market

A new Federal agency--the Government Student Loan Association -- will operate the Basic Loan program and will also conduct the secondary market operations for the Supplemental Loan program. In this latter capacity it will replace the Student Loan Marketing Association -- the private, for profit corporation which currently acts as secondary market for the GSL program. We propose these changes for several reasons:

- The profit-making status of SLMA is inappropriate. SLMA relies on the Treasury for 98 percent of its operating capital and bears no risk of loss whatsoever, since its portfolio is fully guaranteed by the Federal government. A profit-making enterprise should properly involve some risk to the investor. This is not the case for SLMA: its profits are predictable and fully secured against loss.
- Because it is profit-making, its incentives -- quite appropriately--are to maximize that profit, not necessarily ensure the widest availability of GSLs. It has relatively conservative buying policies and picks only low-risk paper. One result of this is that small banks and banks that lend to high risk borrowers are often unable to benefit from SLMA¦s secondary market activities. SLMA must balance a higher yield to its shareholders with greater loan availability for student borrowers. It is inevitable that often the latter suffers.

Costs of Loan Proposal

The Basic Loan program will be phased-in over three years. In the first year, 60 percent of estimated full-funding requirements will be made available; 80 percent the second year; and 100 percent the third.

In the first year of operation, estimated loan volume under both Basic and Supplemental Loan programs will be $3.3 billion. This will support loans for about 2.1 million students.

By 1983, the program will be fully phased-in and loan volume is estimated at almost $5 billion, with loans made to about 2.8 million students.

V. Student Assistance: Grants and Work

A. Overview of the Program

1. Basic Educational Opportunity Grants

Program Purposes

The purpose of the Basic Educational Opportunity Grant Program is to provide undergraduate students with an assurance of grant support to assist them in financing postsecondary education. Student eligibility is primarily based on a formula determination of need. This formula considers the income and assets of the student and his or her family as well as other factors such as the family size, the number of family members enrolled in postsecondary education, the amount of Federal Income Tax paid, whether or not both parents are working or if the family is supported by a single head of household, and any unusual expenses incurred by the family. The formula is reviewed by Congress annually and applied consistently to all students in the following academic year.

Other student eligibility requirements are:

1. the student must be enrolled in an eligible program of study on at least a half time basis;
2. the student must be a U.S. citizen or permanent resident and in this country for other than temporary purpose;
3. the students must be in good standing and making satisfactory academic progress according to the standards and practices of his or her institution; and,
4. the student cannot owe a refund on a Title IV grant or be in default on any Title IV loan received for attendance at the same institution in which he or she is currently enrolled.

The amount of aid for which a student is entitled is $1800 less the expected family contribution (as determined by the annual formula) not to exceed one-half of the student's cost of education. Awards are also proportionately reduced for less than full-time or less than full-year enrollment.

Program Coverage

In the 1979-80 academic year approximately 2.7 million students attending over 6000 postsecondary institutions will receive Basic Educational Opportunity Grant awards totalling over $2.4 billion with an average award of $892.

Funding

At "full-funding" every eligible student receives $1800 less the expected family contribution not to exceed one-half of the cost of education. Should funds not be sufficient to meet these award levels, all awards are reduced according to a schedule included in the law. The 1979-80 appropriation and the 1980-81 request provide for full-funding.

Program Operation

Students apply to the government to have their expected family contribution calculated. All applicants receive a Student Eligibility Report (SER) which they can take to the school of their choice for calculation and payment of their award. Funds are distributed to schools initally on the basis of prior year expenditures, however, institutional funding levels are adjusted to refect actual demand at each school. Students attending schools that do not agree to calculate and disburse awards are paid directly by the government.

Basic Program Requirements

Student eligibility requirements are described above. Institutions that wish to act as disbursing agents must be approved for participation and must comply with program regulations and reporting requirements.

2. Supplemental Educational Opportunity Grant Program

Program Purpose

The purpose of the Supplemental Educational Opportunity Grant Program is to provide undergraduate students of exceptional financial need with grant support to assist them in financing their postsecondary education.

Program Coverage

Approximately 573,000 students attending 3,800 insitutions expected to receive awards totalling $340 million in the 1979-80 academic year. Awards range from $200 to $1500 annually not to exceed $4000 in total.

Funding

The appropriation is distributed among states according to a legislatively prescribed state allotment formula. Within States, institutions apply for funds according to their needs. Ten percent of the appropriation may be distributed at the discretion of the Commissioner of Education.

Program Operation

Institutions apply for funds directly to the government. The amount awarded to each school is based on the total alloted to the state, the school's prior year expenditures, and the aggregate need for SEOG funds at each institution. Students apply directly to their school for aid and the school selects the recipients and determines the amount of the awards. This program provides for a great deal of discretion on the part of the institution and is intended to provide the flexibility necessary to meet the individual student's need. The Office of Education establishes rather broad guidelines for institutions to follow in awarding SEOG aid.

Basic Program Requirement

Students must be enrolled on at lease a half-time basis in an eligible program of study offered by a participating school. In addition, they must:

7/19/79 23)

1. be a U.S. citizen or permanent resident and in this country for other than a temporary purpose;
2. be in good standing and making satisfactory academic progress;
3. not owe a refund in a Title IV grant or be in default on a Title IV loan received for attendance at the same school in which they are currently enrolled.

Institutions must comply with Federal regulations and reporting requirements in order to participate.

3. State Student Incentive Grant Program

Program Purpose

The purpose of the State Student Incentive Grant Program is to encourage States to establish or expand their own undergraduate need-based programs.

Program Coverage

Approximately 307,000 students from 57 States and territories will receive SSIG awards averaging $500 ($250 in Federal funds) in the 1979-80 academic year.

Funding

Funds are distributed to each State based on a legislatively prescribed formula and the States' ability to match the Federal dollars.

Program Operation

The Federal government awards funds to States, on a formula basis, which must be matched 1:1 by State funds. Each State determines the eligibility criteria to be met by recipients and selects the students to receive aid. The actual administration of the program (including eligibility criteria and award levels) varies from State to State.

Basic Program Requirements

Each State must designate an official agency to administer the program and no Federal dollars can be used to support administrative costs. In any year when the appropriation exceeds $75 million, a third of the excess is used as a bonus to encourage State operation of State student loan programs.

Program Effectiveness

In the first year of operation (1974-75) only 41 States had their own grant programs. Currently all States are participating in the SSIG program.

4. College Work Study Program

Program Purpose

The purpose of the College Work Study Program is to provide financially needy students with part-time employment to assist them in financing their postsecondary education.

Program Coverage

In the 1979-80 academic year, approximately 990,000 students attending 3,200 institutions will receive CWS assistance totalling $550 million and averaging $610.

Funding

The appropriation is distributed among States according to a legislatively prescribed State allotment formula. Within States, institutions apply for funds according to their needs. Ten percent of the appropriation may be distributed at the discretion of the Commissioner of Education.

Program Operation

Institutions apply directly to the Federal government for CWS funds which must be matched by the school's own funds on an 80/20 basis. The amount each school receives is based on its prior year expenditures, the amount available within each state, and the aggregate need of its students. Institutions must locate jobs for students either on-campus (for public or private non-profit schools) or off-campus with public or private non-profit agencies. Students are generally paid the Federal minimum wage rate. However, schools may pay less than that if they request a waiver. Students apply directly to their school and the school selects the recipients as well as determines the amount of aid each is to receive. In this way, the school is provided the flexibility necessary to meet individualized student needs.

Basic Program Requirements

Graduate or undergraduate students with great financial need who are enrolled on at least a half-time basis in a program of study offered by a participating school are eligible for CWS aid. In addition, they must:

1. be U.S citizen or permanent resident and in this country for other than a temporary purpose;
2. be in good standing and making satisfactory academic progress;
3. not owe a refund on a Title IV grant or be in default on a Title IV Loan received for attendance **at the same school in which they are currently enrolled.**

Institutions must comply with Federal regulations and reporting requirements in order to partcipate.

B. TITLE IV: BASIC GRANTS MAXIMUM AWARD AND REDUCTION SCHEDULE (SECTION 411)

The Proposal

The Basic Grants maximum award will be set at the level required to exhaust appropriations while fully funding all entitled students, unless this level is less than $1,800 (or the previous year's maximum award). In this instance new reduction language would be placed into effect.

The new reduction language would hold harmless students with entitlements within $200 of the maximum award. For other students the reduction formula is a simple formula where the percentage reduction increases as the entitlement decreases. The minimum award would be $200.

Present Law

Currently the entitlement ceiling is set in statute and is equivalent to the maximum award if the program is fully funded. If the program is not fully funded a multi-stage reduction formula goes into effect.

The multi-stage reduction formula provides that all awards be reduced according to procedures specified in the statute. First, awards are reduced by percentages determined in the statute, with awards going to high-need students being reduced by the smallest percentage. Second, if appropriations are higher or lower than this new level of funding, awards are increased or decreased proportionately until appropriations are exhausted.

Reasons for Recommendation

This proposal simplifies the process which determines the maximum award. It eliminates the need for statutory language each time the maximum award is to be changed.

The new reduction formula retains the important provision of protecting the most "needy" students. In addition, it eliminates the awkward and inequitable "staircase" schedule of reduction. For example, under the proposed simple formula approach a student scheduled to receive an award under full funding of $1,199 will be reduced only very slightly more than a student scheduled to receive $1201. Under current law, however, the student scheduled to receive $1,199 would be reduced to $899 in the first step of the reduction while the student scheduled to receive $1,201 would be reduced to only $1,080. This results in a difference in award of over $180 being paid to two students with almost exactly the same need.

C. TITLE IV: BASIC GRANT -- AVERAGE vs. ACTUAL COSTS FOR RECIPIENTS LIVING ON CAMPUS (Section 411)

The Proposal

The Administration proposes that institutions be permitted to use a school-wide average of tuition and room and board charges to calculate the Basic Grant award.

Present Law

Actual tuition and room and board charges must currently be used in calculating the Basic Grant award for a student living on campus.

Reasons for Recommendation

The current law requires colleges to calculate each BEOG based on the recipient's actual tuition and room and board costs, thus adding to their administrative burden. Using average rather than actual costs will reduce the administrative burden on financial aid officers without increasing costs and without affecting awards for most students. For example, some institutions have more than 30 different student budgets.

D. TITLE IV: BASIC GRANT -- TREATMENT OF VETERANS ADMINISTRATION AND SOCIAL SECURITY BENEFITS (SECTION 411)

The Proposal

The Administration proposes to reduce a student's BEOG award by an amount equal to half of any Veterans education benefits plus half of any Social Security education benefits received by the student.

Present Law

Section 411(3)(B)(iii) specifies that in calculating the expected family contribution for dependent students one-half of any Veterans education benefits and all of any Social Security education benefits received by the student are counted as family income and subsequently taxed at the rate of 10.5 percent.

Reasons for Recommendation

The current liberal treatment of V.A. and Social Security Benefits results in some students receiving aid that exceeds their cost of education. The Administration proposal would partially alleviate these "overaward" situations.

E. TITLE IV: SUPPLEMENTAL GRANTS AND STATE STUDENT INCENTIVE GRANTS--REMOVING THE DISTINCTION BETWEEN INITIAL AND CONTINUING YEAR FUNDS (SECTIONS 413A AND 415A)

The Proposal

Eliminate the distinction between Initial Year and Continuing Year funds in the Supplemental Grant and State Student Incentive Grant Programs.

Present Law

The SEOG and SSIG statutes authorize separate appropriations for (1) first-time recipients of these grants and for (2) students continuing to receive these grants in subsequent academic years.

Reasons for Recommendation

The proposal simplifies program administration at the institutional, State and Federal levels. The proposal makes life easier for aid officers by providing one funding pot, instead of two, for each of these programs.

F. TITLE IV: SUPPLEMENTAL GRANTS--MAXIMUM AWARD (SECTION 413B)

The Proposal

The Administration proposes to increase the maximum annual SEOG award to $2,000. The aggregate SEOG maximum will be increased to $8,000 for students in four-year programs. For students enrolled in a five-year undergraduate program or determined by the institution to need five years to complete a course of study normally requiring four years, the aggregate SEOG maximum will be increased to $10,000.

Present Law

Present law specifies that the maximum annual SEOG award is $1,500. The aggregate SEOG maximum is currently $4,000 for regular students and $5,000 for students enrolled in a five-year undergraduate progrm or determined by the institution to need a fifth year to complete a program that normally requires four years.

Reason for Recommendation

The proposal recognizes the increased college costs borne by today's students.

G. TITLE IV: STATE STUDENT INCENTIVE GRANT PROGRAM -- STATE MATCHING REQUIREMENTS (Section 415)

The Proposal

The Administration recommends that the current matching of "old" State funds be phased out. The goal is that Federal dollars be matched only with new State dollars.

During the phase-in period new State dollars would be matched 100 percent the first year they are allocated while old State dollars would be matched on a declining rate. The first year new funds would be matched 100 percent and old funds matched at 80 percent. In the second year new funds would be matched at 100 percent and old funds matched at 60 percent. By the fifth year only new funds would be eligible for the Federal match.

For example, consider a State that in 1980 contributes $500,000 to the SSIG program and in 1981 contributes $600,000. In 1981, the State would receive a 100% Federal match on $100,000; on the remaining $500,000 it would receive an 80% Federal match. If the State increased its investment in SSIG to $700,000 in 1982, it would receive a 100% Federal match on $100,000 and a 60% Federal match on the remaining $600,000. By 1985, the State would only receive Federal matching for funds in excess of those contributed in 1984.

Present Law

Section 415C requires dollar-for-dollar matching of State funds which represent an increase in scholarship expenditures over the base year -- defined as the second year before the State entered the SSIG program. These range from 1972 to 1975.

Reasons for Recommendation

Some States with mature scholarship programs increased their scholarship expenditures at a rapid rate and now need incentives to continue to increase their expenditures (rather than be tempted to retrench to a level which barely meets maintenance of effort requirements). At the same time, about 20 States have established wholly new scholarship programs in order to qualify for SSIG funds; most of these States have barely been able to increase their State expenditures fast enough to qualify for their SSIG allotments. Four States with mature scholarship programs (New York, Pennsylvania, California, and Illinois) together account for more than 60 percent of all State scholarships whereas 30 States with newer and less advantaged program depend primarily upon SSIG and State matching and account for only 5 percent of the Nation's total State scholarships. The proposal is designed to particularly aid these newer States.

H. TITLE IV: COLLEGE WORK-STUDY--CREATIVE NEW USES OF FUNDS (SECTION 443)

The Proposal

The Administration proposes to include language in the College Work-Study (CSW) statute encouraging institutions to:

- Send CWS participants into junior and senior high schools to inform secondary school students and their parents about Federal student aid and to provide tutoring to needy students.
- Place more handicapped students in CWS jobs.
- Create CWS jobs that provide services needed by handicapped students such as reading for the blind, interpreting for the deaf, and pushing wheelchairs.

Present Law

These uses of CWS funds would be possible, but are not specifically permitted and encouraged, under the existing statute.

Reasons for Recommendation

The proposal provides tutorial services and much-needed information about Federal student financial aid to secondary students and enhances educational opportunities for handicapped students while providing interesting and fulfilling work experiences for CWS participants.

VI. HIGHER EDUCATION ACT: TITLE IV GENERAL PROVISIONS

A. Overview of the Program

Program Purpose

Each of the Title IV student assistance programs has eligibility requirements that institutions must meet in order to participate. Institutions must conform with the general provisions in Section 1201 of Title XII, as well as comply with the provisions in Part F, Title IV. These include definitions, administrative expenses, student aid information services, maintenance of effort, eligibility for student assistance, and fiscal eligibility of institutions.

B. TITLE IV: A PACKAGING FRAMEWORK (SECTION 404)

The Proposal

Packaging of student aid programs for an individual student is best handled at the institutional level, and student financial aid officers must be able to exercise discretion in this process. For this reason, we have resisted inflexible, Federally-imposed packaging rules. However, Administration proposals do suggest a framework into which most student aid packages will fall. This structure has three parameters:

- The Basic Grant remains the foundation of the package.
- A need-based loan is the last layer of the package — with the amount of this loan being that which remains after the family contribution, all other available sources of financial aid, and a standard contribution from student self-help are subtracted from the student's cost of education.
- To qualify for a need-based loan, the student must contribute $700 worth of self-help, in the form of Work-Study, unsubsidized work, or a loan that is not need-based.

The student aid officer would have discretion to waive the self-help requirement in unusual circumstances and would retain responsibility for deciding how much of what type of aid should flesh out this basic framework of assistance for a given individual.

Current Law

The law implies that the Basic Grant should be the foundation or first layer of a student's financial aid package. However, there is no overall packaging philosophy contained in current law.

Reasons for Recommendation

Existing packaging practices often produce inequitable results. Students with similar needs often receive different packages. A few institutions have gone so far as to burden students with large loans without first investigating their eligibility for Basic Grants.

7/19/79 36)

Page 2 - A Packaging Framework

The packaging framework proposed by the Administration, when coupled with a single needs analysis system, will introduce more uniformity and equity into student aid packaging while at the same time maintaining flexibility for the student financial aid officer. Students and their parents will have greater ability to predict the types and amounts of aid they are likely to receive at schools in various cost ranges. The Federal government will have improved ability to estimate the amount and distribution of Federal student aid dollars required each year.

C. TITLE IV (AND TITLE XII): ELIMINATE ACCREDITATION FOR INSTITUTIONAL ELIGIBILITY (FORMERLY SECTIONS 435, 491, and 1201)

The Proposal

The Administration proposal related to accreditation affects institutions applying for all Higher Education Act programs, not just the Title IV programs.

The Administration proposes to sever completely the link between private accreditation and institutional eligibility for Higher Education Act programs. The proposal would:

- Eliminate accreditation as a statutory requirement for institutional eligibility for Higher Education Act programs.
- Maintain and place greater reliance on the existing statutory requirement that an institution must be legally authorized by the state in which it operates.
- Continue administrative actions to enforce, at the program level, requirements for responsible institutional management of Federal funds.
- Strengthen student information requirements so that students and parents can make more informed decisions about where to spend their education dollars.

Present Law

Accreditation is one of several requirements that a postsecondary institution must meet to establish threshold eligibility for Higher Education Act programs. (Beyond this threshold eligibility, an institution must also meet the specific eligibility requirements of individual programs.) For the purposes of this threshold eligibility process, the Higher Education Act requires the Commissioner to "publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered." Over the years, the Office of Education has developed elaborate regulations and review procedures to determine which accreditation agencies are suitable for inclusion on the Commissioner's list.

Reasons for Recommendation

- Problems with the existing system

  After careful study, the Administration has come to the firm conclusion that reliance on private accreditation for Federal eligibility purposes does not ensure wise investment of Federal dollars. Instead, it:

  - Encourages the proliferation of accreditation agencies (many of which are superfluous to the Federal eligibility process);
  - Creates needless paperwork for institutions, accrediting agencies, and the Federal government;
  - Most importantly -- misleads students and their parents into believing that the Federal government vouches for the quality of any educational institution or program that receives funds under the Higher Education Act.

- How the Administration proposal addresses these problems

  The Administration proposal:

  - Frees accreditating agencies to do their job
    The Administration proposal does not constitute a statement of dissatisfaction with private accreditation. On the contrary, the proposal reflects our concern about inappropriate use of accrediting agencies by the Federal government. These agencies rendered valuable service to the postsecondary education community long before the Federal government became involved in their activities; we expect that they will continue to do so when their tie to the Federal government is severed. In fact, we believe that our proposal will enhance the vitality of most private accrediting agencies by freeing them from intrusive Federal regulation and pressures to take on inappropriate activities that are unrelated to their central mission of assessing the quality of education.

- Cuts down on bureaucracy and paperwork for the Federal government, accrediting agencies, and institutions

- Will prompt citizens to force the states to take greater responsibility for the quality of education offered by institutions within their borders

- Does not mislead students and parents
  The proposal gives students and parents the ultimate responsibility for the quality of the education they purchase, but informs them about how to exercise that responsibility intelligently.

- Saves money
  The proposal frees for alternative and more productive uses the $1 million currently spent by the Federal government to monitor accrediting agencies.

D. TITLE IV: INSTITUTIONAL ELIGIBILITY -- STANDARDS OF ADMINISTRATIVE AND FISCAL RESPONSIBILITY AND REQUIREMENTS FOR PROVISION OF STUDENT INFORMATION (SECTIONS 492 and 493A)

The Proposal

- Standards of administrative and fiscal responsibility

  The Administration proposes that Title IV clearly enumerate standards of administrative and fiscal responsibility as a prerequisite for institutional eligibility for student aid funds. These standards would include institutional agreement to provide validation and record-keeping support. The Commissioner would be required to undertake a study to determine minimally acceptable drop-out rates, which could then be incorporated into the standards for eligibility.

- Requirements for the provision of student information

  The Administration proposes to make the existing student information requirements found in Section 493A a prerequisite for institutional eligibility for the student aid programs (rather than simply a use to which institutions receiving administrative cost allowances must put these funds). Further, institutions would be required to provide information to all students and potential students. In addition to those information items presently required, all institutions will have to provide information about drop out rates, their refund policies, about services and facilities for handicapped students, and those institutions that claim to prepare students for employment in specific fields will have to provide placement data on recent graduates.

Present Law

Present law does not require institutions to provide information as a condition for eligibility. Institutions receiving administrative cost allowances are required to use these funds first to provide, on request, the types of student information listed in section 493 A, including information about financial aid, tuition and other costs, refund policies, and academic programs.

The current law does not set specific standards for administrative and fiscal responsibility.

Reasons for Recommendation

The Administration proposals would make institutions receiving Federal student financial aid more accountable to students, parents, and the Federal government. Specific standards and requirements will make enforcement easier. Improved access to information will improve students' ability to make informed decisions about where to spend their education dollars, thereby improving the effectiveness of the Federal investment in student aid.

7/19/79 42)

E. TITLE IV: SUPPLEMENTAL GRANTS AND COLLEGE WORK-STUDY--FIVE PERCENT CARRY OVER (SECTION 492)

The Proposal

The Administration proposes to allow institutions to carry forward up to five percent of their Supplemental Grant and College Work-Study funds from one funding year to the next.

Present Law

Present law provides no carry over provision for these programs.

Reason for Recommendation

The proposal will assist financial aid officers to manage funds for these programs more efficiently.

F. TITLE IV: ADMINISTRATIVE ALLOWANCE TO INSTITUTION (SECTION 493)

The Proposal

Pay the institution $10 for each student aid recipient.

Present Law

For Basic Grants and Guaranteed Student Loans the statute permits a payment of $10 for each recipient in each of these two programs. Also, for the campus-based programs -- Supplemental Grants, Direct Student Loans and College Work-Study -- institutions are permitted to use up to 4 percent of their allocation under these three programs, not to exceed $325,000.

Reasons for Recommendation

The proposal makes life easier for student aid officers and institutions by providing a single, reliable source of funds to meet expenses associated with the administration of student aid funds.

G. TITLE IV: SINGLE APPLICATION FORM, PROCESSED AT NO FEE TO THE STUDENT (TO FOLLOW SECTION 494)

The Proposal

Legislatively mandate continued use of a single form by which a student may apply for Federal, State, and institutional aid. The Federal government -- not the student -- would pay the processing of the mandated form.

Current Law

Existing statutes do not mandate a single form.

Reasons for Recommendation

Students, parents and institutions have been plagued by complexity and confusion resulting from the multiple application forms required to obtain Federal, state, and institutional aid. While the cost of processing application forms for the Basic Grant Program is borne by the Federal government, a student must pay to have private agencies process his or her application for campus-based financial aid.

With the support and cooperation of Congress and in full consultation with the student financial aid community, the Administration has ready for implementation in academic year 80-81 a single form by which a student may apply for need-based financial aid from Federal, State, and institutional sources. While the implementation of this single form for Basic Grants clearly falls within the scope of the Department's administrative authority, we believe that the Congress will want to ensure the continuation of the single form for all need based aid in future years by mandating it in the statute. The single form will save hours of paperwork for students, parents, and institutions and will prevent students from having to pay to find out the extent of their financial need.

H. TITLE IV: A SINGLE NEEDS ANALYSIS SYSTEM (SECTION 494)

The Proposal

The Administration seeks statutory authority to develop and implement a single needs analysis system for all Federal need-based student assistance programs. The single system would be developed in close consultation with representatives of colleges and universities and the private organizations that are currently involved in needs analysis. The new system would be subject to Congressional review as is the present Family Contribution Schedule used for the Basic Grants Program. Of course, aid administrators would continue to have flexibility to make adjustment for unusual student circumstances in the campus based programs.

Present Law

The two major methods currently in use for the calculation of a family's expected contribution to a student's education are the Basic Grants Family Contribution Schedule and the Uniform Methodology. In the BEOG program, award size is determined through the Basic Grant Family Contribution Schedule. For the remaining Federal aid programs, either the BEOG schedule or the privately developed Uniform Methodology or other methods approved by the Commissioner may be used to determine need.

Reasons for Recommendation

Application of one method of determining a family's expected contribution does not produce the same results as application of another method. The choice of the method influences the amount of the student's "need", and consequently the amount of financial aid he or she receives. This use of different calculations to distribute student aid results in complexity, confusion, and inequity for students and parents.

Development and use of a single system would simplify program administration and make the Federal award-making process more consistent, predictable, and equitable.

I. TITLE IV: DEFINITION OF DEPENDENT AND INDEPENDENT STUDENT (SECTION 494)

The Proposal

All students under the age of 23 will be regarded as dependent students -- whether claimed on their parent's income tax form or not -- unless these students have dependents of their own.

Students who are over age 22 will be classified as independent if they have not been claimed on their parents' income tax form for the past year.

Present Law

An independent student is currently defined as one who for the year prior to the award period and for the two calendar years in which the award period occurs was:

- o not claimed as a dependent on his parents' tax form;
- o not residing with his parents for more than six weeks each year;
- o not receiving more than $750 in cash or in kind from his parent(s) during any year.

Students who do not meet these three criteria are classified as dependent.

Reasons for Recommendation

A student would often be eligible for larger aid awards if he or she were classified as independent than if he or she were classified as dependent. This may encourage some students, particularly those from higher income families, to declare themselves independent, thereby relieving parents of financial obligations for college costs incurred by their children.

Though the current definition of independent student is based on three criteria, only one can actually be verified -- whether or not the student was claimed as a dependent on his or her parent(s) Federal Income Tax return.

The Administration proposal would (1) reaffirm parental responsibility for financing a portion of postsecondary education expenses, (2) prevent students from declaring independence solely for the sake of claiming Federal aid, and (3) provide a more enforceable standard to determine independence.

J. TITLE IV: SUPPLEMENTAL GRANTS, COLLEGE WORK-STUDY AND BASIC AND SUPPLEMENTAL LOANS -- PROCEDURES FOR DETERMINING OFF-CAMPUS LIVING COSTS (SECTION ____)

The Proposal

The Administration seeks statutory authority to set specific procedures for schools to follow in determining living costs for off-campus students applying for Supplemental Grants, College Work-Study, and Basic and Supplemental Loans. The procedures will include data gathering requirements to determine the reasonable costs for transportation, books, room, board and miscellaneous living expenses.

Present Law

Present law allows institutions full discretion in determining the living costs permitted for off-campus students for the purposes of calculating eligibility for the campus-based (SEOG, CWS, and NDSL) programs.

Reasons for Recommendation

The GAO has discovered wide, often unexplainable, variations among schools in the living costs allowed for off-campus students in calculating award amounts under the campus-based programs. The Administration proposal will prevent less scrupulous schools from obtaining an unwarranted share of the campus-based funds.

K. TITLE IV: STANDARDS OF ACADEMIC PROGRESS (SECTION 495)

The Proposal

Require that a student financial aid recipient must successfully complete at least 50 percent of the course load undertaken using Title IV aid during a given period of enrollment (usually the preceding academic year) in order to be eligible for Federal aid in a subsequent period of enrollment.

A student not meeting this rule would not be eligible for further funding until he or she had made up the appropriate number of credit hours -- not at Federal expense. Students making up the credit hours would not have to be enrolled at least halftime.

This requirement would be waived for demonstrated hardship circumstances.

Present Law

Present law indicates that to be eligible for Title IV financial assistance, an enrolled student must be "in good standing" and making "satisfactory progress" -- as defined by the institution -- toward completion of his or her program of study.

Reasons for Recommendation

Current law permits institutions to define the terms "in good standing" and "satisfactory progress" any way they wish. The standards at some institutions are simply continued enrollment. Some institutions carry a student on academic probation indefinately. Others allow the student to drop-out and then be readmitted upon request. This situation creates the potential for possible fraud and abuse of financial aid funds by students and institutions. Institutions facing declining enrollments and budget cut-backs will be tempted to define "in good standing" and "satisfactory progress" very loosely in order to maintain the flow of Federal student aid dollars to their campuses. The Administration proposal would curb this potential for abuse by requiring all students to meet minimum standards of academic progress. Taxpayers will be ensured that the Federal investment in student aid is not being wasted. Student aid recipients will be encouraged to take seriously their responsibility to study and reap maximum benefits from the educational opportunities they have received.

L. TITLE IV: EXTENSION OF CIVIL AND CRIMINAL PENALTIES PROVISION TO COVER ALL TITLE IV FINANCIAL AID PROGRAMS (SECTION 499)

The Proposal

The Administration proposes to establish specific criminal and civil penalties for individuals and institutions convicted of fraud or abuse related to any Title IV financial aid program.

Present Law

Section 440 of the Higher Education Act mandates specific penalties for fraud and abuse in the Guaranteed Student Loan Program.

Reasons for Recommendation

The proposal will provide better protection of the Federal investment in student financial aid.

VII. Higher Education Act: Title IV, Part A, Subpart 4

Special Programs for Students from Disadvantaged Backgrounds (TRIO)

A. Overview

Program Purpose

The purpose of the TRIO programs -- Upward Bound (UB), Talent Search (TS), Special Services for Disadvantaged Students (SSDS), Education Opportunity Centers (EOCs), and Service Learning Centers (SLCs) -- is to help low-income youths to enter, continue, or resume postsecondary education by supporting programs which provide a variety of needed services. These services include information about postsecondary opportunities, remediation, and counseling.

Grants are made to eligible applicants for programs designed to deliver these services to youth from low-income families who have academic potential; but may lack adequate secondary school preparation; are physically handicapped; are disadvantaged because of severe rural isolation; have limited English-speaking ability; or are from a deprived educational, cultural, or economic background.

Program Coverage and Funding

The individual programs support activities as follows:

- Upward Bound is a program for youth from low-income families who have academic potential but lack adequate secondary school preparation. Through residential summer sessions or Saturday classes, remedial instruction, tutoring, and counseling is provided participants. In FY 1979, about 50,000 students will participate in Upward Bound programs, at a cost of $61 million.
- Talent Search funds projects which identify and encourage qualified students with financial need to enroll in postsecondary programs, by providing counseling and information about educational career options and available student aid. In 1979, over 200,000 students will be served at a cost of $15.3 million.
- Special Services for Disadvantaged Students provide remedial and supportive services to enrolled students who have educational, cultural or economic needs. Almost 600 projects will be supported in 1979 at a cost of $55 million. They will serve about 170,000 students.

- Education Opportunity Centers are off-campus centers which provide counseling and information services to prospective students prior to enrollment and tutoring after enrollments. In 1979, $6.3 million supported about 30 projects 100,000 students.
- Service Learning Centers support activities similar to Special Services. This program is unfunded.

B. TITLE IV: "TRIO" -- PROGRAM PURPOSE AND ELIGIBLE POPULATION (SECTION 417B(b))

The Proposal

Change the language at the beginning of the Subpart on TRIO (Special Programs for Students from Disadvantaged Background) to describe the program's mission and its basic target population. The new language would make explicit:

- that the overall mission of TRIO is to provide access to and retention in programs of postsecondary education;
- that the eligible populations are primarily, but not exclusively, economically disadvantaged. Economic disadvantagement is defined as a family income of 150 percent of the prevailing poverty index.

Present Law

The program purpose and general student eligibility language is located in Section 417B. It is vague referring to "academic potential", "lack adequate ... preparation in" and applies to all five TRIO programs without regard to their major program distinctions. There is no language that clearly describes the mission of the TRIO programs, or specific language that distinguishes program services, target groups, and grantee eligibility in line with each program's emphasis.

Reason for Recommendation

By clearly stating TRIO's mission and general target population in the umbrella language, the confusion caused by the current general language (such as academic potential, inadequate secondry school preparation, and physically handicapped) will be removed. Simplified eligibility criteria for each program will be written into each respective section. (See next proposal.) These criteria will relate only to the emphasis of the individual program.

C. TITLE IV: "TRIO" -- ELIGIBILITY REQUIREMENTS FOR SPECIFIC PROGRAMS (SECTION 417B(b))

The Proposal

The Administration proposes to describe eligibility requirements for each program category. The following criteria are proposed:

- Upward Bound (UB) would require only economic disadvantagement (at 150 percent of the prevailing poverty index).
- Special Services (SSDS) would require economic disadvantagement (150 percent of the prevailing poverty index) and educational disadvantagement, using the following formula:
  - For 2/3 of the participants, economic and educational disadvantagement
  - For 1/3 of the participants, educational disadvantagement
- Talent Search (TS) and Education Opportunity Centers (EOCs) would require participants to reside in designated geographic areas characterized by high concentrations of low-income residents. Priority would be given to residents of these areas with the lowest incomes.

Present Law

Current law does not set specific economic eligibility criteria. Numerous other eligibility qualifiers, such as physically handicapped and rurally isolated are included in the statute.

Reason for Recommendation

There is a need to specify target groups for each program. Establishing 150 percent of the poverty level as economic disadvantagement would qualify certain marginal low-income groups who are currently turned away. Using this as the sole criterion for Upward Bound eligibility would allow educationally disadvantaged students as well as academically better prepared students to participate. This is important for special emphasis Upward Bound projects that focus on such areas as science or mathematics.

7/19/79 56)

For the Special Service Program the educationally disadvantaged who cannot meet the economic criterion, but are in academic need, would be able to participate because of the use of the educational disadvantagement criteria. This would address the serious attrition problems facing many minority and educationally disadvantaged students.

The Talent Search and Educational Opportunity Centers programs would be placed in census-determined low-income areas. They would be community-based and eligibility would be determined by geographic area rather than by individual characteristics. While priority would be given to the lowest income persons, all residents within the project areas would be eligible for services. This would eliminate the seemingly discriminatory practice of turning away needy residents because of minor income differences.

7/19/79 57)

D. TITLE IV: TRIO -- CONSOLIDATE TALENT SEARCH AND EDUCATIONAL OPPORTUNITY CENTER PROGRAMS (Section 417B(b))

The Proposal

The Administration proposes consolidating Talent Search (TS) and Educational Opportunity Centers (EOC) into one program targeted to geographic locations with high concentrations of low-income residents. Although all residents of the targeted area could apply to the new program, first priority for service would be given to the lowest income persons. The proposal would make medium size grants available uniformly throughout the country.

Present Law

Talent Search and Educational Opportunity Centers currently are separately authorized by Sections 417B(b)(1) and 417B(b)(4) of the Higher Education Act.

Reason for Recommendation

The two programs perform similar services and in some cases they operate in the same geographic area. Talent Search, however, concentrates on youth while Educational Opportunity Centers tends to focus on adults.

Consolidation would eliminate artificial eligibility distinctions, duplication of services and costs, and bolster current Talent Search budgets.

(Average size grants for TS are now $60,000 and for EOC, $250,000). Cost savings associated with consolidating staff and operations would occur in a few areas.

7/19/79 58)

E. TITLE IV: "TRIO" -- REPEAL THE SERVICE LEARNING CENTER AUTHORITY
(FORMERLY SECTION 417(B)(b)(5))

The Proposal

Repeal the Service Learning Center (SLC) authority.

Present Law

The SLC authority is contained in Section 417(B)(b)(5).

Reason for Recommendation

The SLC program category was established by the Education Amendments of 1976. It has never received an appropriation. It is an on-campus program calling for remediation and other retention services, which duplicate Special Services for Disadvantaged Students (SSDS) activities.

115

F. TITLE IV: VETERANS COST OF INSTRUCTION PROGRAM (VCIP) (SECTION 420)

The Proposal

The Administration proposes to give new emphasis to the problems of handicapped and incarcerated veterans. It proposes to expand the category of veterans for which institutions receive bonus payments under the Veterans Cost of Instruction Program to include these groups. Moreover, the Administration proposes to extend institutional cooperation and the efficient allocation of resources under VCIP by allowing formation of consortia involving any institutions which are independently eligible for participation in the program.

Present Law

Payments to institutions under the Veterans Cost of Instruction Program are currently calculated on the basis of two categories: (1) enrollment of undergraduate veterans who are eligible for VA benefits; (2) enrollment of veterans who received special VA benefits for the educationally disadvantaged. This latter category is the basis for bonus payments in Section 420(b)(1)); under the Administration's proposal, handicapped and incarcerated veterans would be added to this category.

Present law allows institutions to form consortia for participation in the Veterans' Cost of Instruction Program only if the institutions forming the consortia have enrollments under 2500. (Section 420(c)(1)). This size limitation would be removed for institutions which are independently eligible to participate in the program.

Reason for Recommendation

The special needs of handicapped and incarcerated veterans have received increased recognition. By including the handicapped and the incarcerated in the category of veterans counted for bonus payments under the Veterans Cost of Instruction Program, the Administration's proposal will focus special new attention on especially needy veterans. Allowing larger institutions to also form consortia for participation in the Veterans' Cost of Instruction Program will enable such institutions to engage in greater cooperation, and thereby allocate their resources more efficiently and target necessary services more specifically.

7/19/79 60)

VIII. Higher Education Act: Title V

Teacher Corps and Teacher Training Programs

A. Overview

Program Purpose

Title V authorizes two major Federal programs for professional development: Teacher Corps and Teacher Centers.

1.) Teacher Corps provides assistance through competitive grants to teacher training institutions to work with local education agencies in jointly providing training in schools with substantial portions of economically disadvantaged youngsters.

2.) The Teacher Centers program supplies funds for teacher controlled centers located in local school districts. These Centers offer in-service support and training for the teachers.

Program Coverage and Funding

Teacher Corps has been funded at $37.5 million for the FY 78 and FY 79. In FY 1978, approximately 120 continuation grants were awarded in 60 cities and 162 new grants to 81 cities. The Teacher Center program receives about $10 million per year. In FY 1978, 61 grants were awarded to support 100 centers.

B. TITLE V - TECHNICAL MODIFICATIONS TO TEACHER CORPS AND TEACHER CENTERS

The Proposal (Section 513(e)(1))

The Administration proposes to change the local community councils under Teacher Corps to school/community councils.

Present Law

The legislation currently provides Teacher Corps projects with local community councils.

Reasons for Recommendation

Community Councils control the direction and nature of local Teacher Corps projects. As Teacher Corps increasingly become an in-service program, local educators are needed to help define individual project characteristics. Including teachers and school administrators on community councils will help to create feasible programs responsive to both community and professional needs.

The Proposal (Section 531)

Eliminate the 10 percent set-asides for both Teacher Centers and Training for Higher Education Personnel.

Present Law

Section 531 currently designates that not less than 10 percent of the funds appropriated in any fiscal year be used for both Teacher Centers and Training for Higher Education Personnel.

Reasons for Recommendation

The 10 percent set-aside for Training for Higher Education Personnel has never been funded or requested and a set-aside for Teacher Centers is not needed.

The Proposal (Section 531)

The Administration proposes that the statute require equitable geographic distribution in awarding grants under Teacher Centers.

Present Law

Geographic distribution of awards is not addressed in the current legislation.

Reasons for Recommendation

In order to reach a broader population base of teachers, it is necessary to provide professional resources more equitably throughout the country.

7/19/79 63)

IX Higher Education Act: Title VI:

Foreign Studies and Language Development

(Replace National Defense Education Act: Title VI)

A. Overview

Program Purposes

National Defense Education Act VI, (NDEA VI) programs are designed to strengthen the Nation's capacity for research in, and the teaching of, modern foreign languages, foreign area studies, and international education. These programs fund activities which train or update the skills of specialists in foreign languages and world studies, which produce new knowledge about other nations and cultures, and which improve curricula and instructional materials in these areas. Major features of the NDEA VI programs include support for highly specialized area studies centers, fellowship support or foreign language studies and faculty and doctoral dissertations research grants.

Program Coverage and Funding

The total appropriation in 1979 was $17,000,000. Of this, $8,000,000 provided for 80 area centers, and $4,503,000 supported 790 fellowships. The remaining funds supported research, consortia programs, and cultural understanding projects. The 1980 budget request is $18,000,000.

B. TITLE VI: REPLACE SECTION 602 OF NATIONAL DEFENSE EDUCATION ACT, TITLE VI WITH SECTION 101 AND SECTION 102, PARTS (a) AND (c), OF THE EXPIRED INTERNATIONAL EDUCATION ACT. CHANGE SECTION 603 OF NDEA VI (SECTIONS 602 AND 603)

The Proposal

Fold together part of the International Education Act with NDEA VI and create a new HEA Title VI. Replace Section 602 of NDEA VI with Section 101 and parts (a) and (c) of Section 102 of the expired International Education Act (IEA) of 1966. Also modify Section 603 to encourage the development of State and national programs and to stimulate the development of foreign language projects in elementary and secondary schools.

Present Law

Section 601 of the NDEA VI authorizes the language and area study centers. Section 101 of the International Education Act authorizes the Secretary to fund activities in advanced international studies that may be concentrated either on specific geographical areas of the world or on particular fields or issues, or on both. It also allows the Secretary to make grants to public and private nonprofit agencies for activities that will contribute to improving international understanding.

Section 102 (a) of the IEA authorizes the Secretary to make grants for undergraduate instruction in international studies. Section 102(c) legislates equitable geographic distribution of grants throughout the country and preference in funding to those institutions most in need of funds for programs in international studies.

Section 602 of the National Defense Education Act authorizes the Commissioner to make studies of the need for language and area studies, to conduct research on more effective methods of teaching those fields, and to develop specialized materials for such teaching. Section 603 currently authorizes grants to stimulate locally designed programs for understanding other nations.

Reasons for Recommendation

Incorporating the provisions of the International Education Act into NDEA VI Section 602 will strengthen that international education authority.

X. Higher Education Act: Title VII

Construction, Reconstruction and Renovation of Academic Facilities

A. Overview

Program Purpose

Title VII authorizes programs of grants, loans, interest grants, loan insurance and disaster assistance for construction and improvement of undergraduate and graduate facilities.

Grants for Construction of Undergraduate Academic Facilities (Section A) and Grants for Construction of Graduate Facilities (Section B) are awarded for up to 50 percent of project development cost.

Under Section C, direct loans are authorized for the construction and improvement of academic facilities at a rate not to exceed 3 percent. Also, under Section C, the Annual Interest Grants Program helped postsecondary institutions with loans obtained in the private capital market. It makes grants which represent the difference between interest paid on a private loan and that paid on a loan whose interest rate is 3 percent.

Section C also provides for an Academic Facilities Loan Insurance Program which has never been implemented. Section D authorizes a Disaster Assistance Program.

Part E authorizes grants and direct loans for reconstruction and renovation projects designed primarily to conserve energy, remove architectural barriers, or bring facilities into compliance with health, safety, or environmental protection requirements.

Funding History

Funds for Section A are allotted to the States on the basis of a statutory formula. Section A is authorized at $300,000,000 but no funds were appropriated in 1978 and 1979, or requested for 1980. Section B is authorized at $80,000,000. Upon congressional initiative it was funded for $8,740,000 in 1978 but there was no funding for 1979 nor any requested for 1980. No funds for new projects have been requested for Part C in recent years.

All appropriations, since then ($29,000,000 in FY 1979 and requested for 1980) have been for previously approved projects. No funding has been approved for Parts D or E.

B. TITLE VII: INTEREST RATE FOR FACILITIES LOANS (PART C, SECTION 742(b))

The Proposal

The Administration proposes that the interest rate charged institutions for facilities loans be raised from the current 3 percent to an appropriate long-term rate for construction projects set by the Secretary with the approval of the Secretary of the Treasury.

Present Law

The loan interest rate is in Part C, Section 742(b).

Reasons for Recommendation

The proposal would bring loan rates in Title VII more into line with current market conditions for long-term financing. The rates would fluctuate with market conditions.

C. TITLE VII: MODIFY PART E: AUTHORIZE PROGRAM TO IMPROVE RESEARCH FACILITIES

The Proposal

The Administration proposes, in addition to reconstruction and renovation to conserve energy, to remove architectural barriers, and to comply with health and safety requirements, that funds under Part E be authorized for the renovation of research facilities and other national priorities as determined by the Commissioner. The purchase or upgrading of equipment would so be allowed under the research facilities authority. Funds under this part may be distributed by means of need- based State formula grants, discretionary project grants to institutions, and loans (direct, subsidized, or guaranteed).

Present Law

Currently the legislation requires that activities authorized in Part E be funded through Part A, which provides formula funded grants, or Part C. which provides several loan programs.

Reasons for Recommendation

The proposal would give Part E activities their own funding mechanisms. This would provide the flexibility to fund grants on either a formula or discretionary basis or to fund direct, subsidized or guaranteed loans. The purposes of Part E would be expanded to better enable the Federal government to assist research institutions to upgrade their facilities and equipment to state-of-the-art levels. The proposal would also allow the Secretary to identify and fund other areas of national priority which may emerge in the future.

The primary purpose of this change, however, is to ensure that our nation's principal universities maintain their high quality research capacity. The nation is dependent upon these major research universities for the bulk of the basic research conducted in this country. These institutions account for more than 50 percent of the estimated $4 billion in basic research funded by the Federal government.

The quality of research conducted at these universities is directly related to the availability of sophisticated equipment and modern facilities in their laboratories. In recent years, however, the combined effect of a number of pressures have made it increasingly difficult for them to maintain up-to-date research facilities. These pressures include:

-- Declining Federal support for facilities and equipment from an equivalent of $126.2 million in 1965 to $23.9 million in 1976 (current dollars)

-- Skyrocketing costs of essential supplies and equipment: outfitting a chemistry laboratory required $10,000 worth of heavy equipment in 1960--now it requires $1 million worth.

Moreover, over the past five years especially there has been:

-- An accelerating pace of obsolescence due to advances in technology

-- Rising maintenance costs of aging facilities--many of which were orginally constructed during the early 60's with Federal funds

-- New Federal requirements in the areas of occupational health and safety. Without timely Federal assistance for modernizing research facilities, this nation is threatened with an erosion of its research capacity.

XI. Higher Education Act: Title VIII

Cooperative Education

A. Overview

Program Purpose

Title VIII authorizes grants to postsecondary institutions or to a combination of such institutions for the planning, establishment, expansion, or implementation of cooperative education programs, in which employers pay students for periods of work alternated with study and attempt to bring together the worlds of education and work. Institutions are eligible to receive grants with decreasing Federal percentage contributions for five years. The maximum award per institution is $175,000 or $125,000 per each institution in a consortium. A separate authority allows the Commissioner to make training, demonstration or research grants to institutions or public or non-profit agencies and organizations. In practice, these R&D grants have been used to augment the size of the institutional cooperative education grant.

Program Coverage and Funding

Funding levels for FY 1979 and 1980 are $15 million; a total of 90,000 students are expected to participate in these programs in academic year 1979-80. Program evaluations indicate that cooperative education programs are effective in increasing the retention of students.

7/19/79 70)

B. TITLE VIII: ELIMINATE GRANT CEILINGS (SECTION 802(a))

The Proposal

Eliminate statutory ceilings on grants to institutions for cooperative education programs.

Present Law

Section 802(a) specifies that a grant to a single institution may not exceed $175,000 and that a grant to an institution participating in a cooperative education consortium may not exeed $125,000.

Reasons for Recommendation

The grant ceilings in the existing statute make it necessary for an institution to focus Federal Cooperative Education funds on a single program or school within the institution. The Administration proposal would permit larger grants to institutions, thereby encouraging the development of cooperative education throughout the entire institution.

7/19/79 71)

XII. Higher Education Act: Title IX

Graduate Programs

A. Overview

Program Purposes

Title IX contains a broad general authority for the development of targeted graduate student assistance programs in Parts A and B. The successful Graduate and Professional Opportunities Program (GPOP) is authorized under these two Parts. It serves members of groups, particularly minorities and women, that have traditionally been underrepresented among the recipients of graduate and professional degrees in American society. Part B provides fellowships and Part A provides institutional grants. Part B fellowship allocations are given only to those institutions selected for support with Part A funds.

Title IX also contains a variety of other authorities: Part C authorizes Public Service Fellowships; Part D, Sections 962-965 authorizes fellowships in domestic mining and mineral fuel conservation; Part E requires an annual report to Congress; and Part F authorizes general formula assistance to graduate schools. Finally, Part D, Section 966 authorizes Assistance for Training in the Legal Profession (often referred to as CLEO, for the Council on Legal Educational Opportunity).

Program Coverage and Funding

Parts A and B (GPOP) have been funded at $8 million for FY 1979, with $15 million requested for FY 1980. During FY 79 GPOP will award 850 fellowships and 50 institutional grants. CLEO is funded at $1 million in both fiscal years providing services for approximately 550 students. Public Service Fellowships and Mining fellowships have been funded at $4 million and $4.5 respectively in 1979. Roughly 260 Public Service and 462 mining fellowships were awarded during FY 79.

7/19/79 72)

B. TITLE IX: ELIMINATE MINING AND PUBLIC SERVICE FELLOWSHIPS, AND GENERAL ASSISTANCE TO GRADUATE SCHOOLS (FORMERLY PARTS C, D, AND F)

The Proposal

Part C and those sections of Part D of Title IX which authorize public service and mining fellowships, respectively, would be eliminated from the legislation. Part F, which authorizes general aid to graduate schools would also be eliminated.

Present Law

Part C specifically authorizes Public Service Fellowships; Part D is a somewhat more general authority, which includes Mining Fellowships as an authorized program. The broad language of Part B, Title IX, authorizes fellowships for a wide variety of purposes and is currently used to support the Graduate and Professional Opportunities Program. Part F authorizes general assistance for graduate schools.

Reasons for Recommendation

At the present time the Nation does not need more graduate students in the area of Public Service or Mining. Should needs change Part B (which is retained) has adequate authority to fund these as well as other areas.

Part F has never been funded. Other parts of the Higher Education Act (those that provide for the support of research facilities and graduate fellowships) provide adequate authority to assist graduate education.

XIII. Higher Education Act: Title XII

Section 1202 and 1203: State Postsecondary Education Commissions

A. Overview

Program Purpose

Grants are provided to State Postsecondary Education (1202) Commissions to conduct comprehensive planning for all segments of postsecondary education in the State. Such planning involves comprehensive studies of public and private postsecondary educational resources in the State. The Commissions are required to be broadly and equitably representative of the general public as well as of public and private non-profit and proprietary institutions of postsecondary education in the State.

Program Coverage and Funding

Support is provided to Commissions in every State. The Program was funded at $3,000,000 in 1978 and 1979 but no appropriation was requested for 1980.

B. TITLE XII: REMOVE THE REQUIREMENT THAT STATES HAVE 1202 COMMISSIONS (SECTION 1202)

The Proposal

The Administration proposes to eliminate the requirement for State Planning Agencies (1202 Commissions).

Present Law

Section 1202 requires the establishment or designation of a State agency to carry out the statewide planning functions mandated by Section 1203.

Reasons for Recommendation

The proposed minor change will simplify Federal-State relationships. It will remove our interference with the structure of the State governments by eliminating the Federal mandate for the establishment of a 1202 Commission and will require instead only that the specified functions in Section 1203 be carried out by the State.

7/19/79 75)

XIV. EXISTING AUTHORITIES PROPOSED FOR REPEAL

A. Higher Education Act Title VI

Financial Assistance for the Improvement of Undergraduate Instruction

1. Overview

Program Purpose

Title VI is designed to improve undergraduate classroom instruction by providing matching funds for the acquisition of instructional equipment and materials. There are two categories of grants: laboratory and other instructional materials; and closed-circuit direct instruction television equipment. Funds are allocated by formula to States, based on State per capita income and enrollment in institutions of higher education. State commissions develop their own plans, establish priorities, review proposals, and work directly with institutions. Funds are provided on a matching basis with States covering 50 percent of costs.

Program Coverage and Funding

This program has not been funded since 1978.

2. Higher Education Act Title VI

Repeal the Title

Proposal

The Administration proposes to repeal Title VI from the existing Higher Education Act.

Reasons for Recommendation

There is no demonstrated need for this program and little evidence of the program's past effectiveness. The program has not been funded since FY 1978.

B. Higher Education Act Title X

Establishment and Expansion of Community Colleges

1. Overview

Program Purpose

Title X, Establishment and Expansion of Community Colleges authorizes grants to States to establish or expand community colleges in areas which do not adequately meet demand. It also established the Bureau of Occupational and Adult Education which is currently in operation.

Program Coverage and Funding

No Parts of this Title have ever received funding.

2. TITLE X: REPEAL

The Proposal

The Administration proposes to repeal Title X from the Higher Education Act.

Reasons for Recommendation

This title is unnecesary because the establishment and expansion of community colleges has proceeded satisfactorily without the use of Federal funds. This Title has never been funded. The Bureau of Occupational and Adult Education may continue to function without this authorization.

C. Higher Education Act: Title XI

Law School Clinical Experience Program

1. Overview

Program Purpose

The program awards grants to accredited law schools for establishing or expanding demonstration projects to provide clinical experience to law students in the practice of law. Preference is given to projects providing experience to the extent practicable in the preparation and trial of cases. Federal funds, which are limited to 90 percent of total costs, may be used for planning, preparation of teaching materials, administration, the training of faculty members, supervision, and travel. No law school may receive more than $75,000. Grants are allowed to assure equitable distribution throughout the United States. Grants were awarded for the first time on September 1, 1978.

Program Coverage and Funding

$1.0 million was appropriated in FY 1978 to be used for academic year 1978-79 projects. Awards went to 29 institutions in 24 States and the District of Columbia. Support ranged from $29,000 to $56,000. $2.0 million was appropriated for FY 1979.

7/19/79 80)

2. Higher Education Act

TITLE XI: REPEAL

The Proposal

Repeal Title XI, Law School Clinical Experience Programs, from the legislation.

Reasons for Recommendation

The "clinical experience" approach to training lawyers has been adequately demonstrated. It is not appropriate for the Federal government to provide support for a narrowly defined academic program, unless it is necessary to demonstrate its effectiveness.

Mr. **Bohen**. As you know I am accompanied here this morning by one of Secretary Califano's most trusted associates and colleagues, Richard Warden, a man familiar to everybody in Congress and this committee, who is the Department's Assistant Secretary for Legislation.

You and your subcommittee, Mr. Chairman, have exercised extraordinary leadership in moving our Nation toward an inspiring goal—to give each American student all the education that he or she needs to develop their talents to the fullest. I am here to reaffirm that goal and to advance proposals that will improve, streamline, and make more equitable the programs that you have put in place—programs that realize this uniquely American ideal.

Our proposals have benefited greatly from the debates this subcommittee set in motion. You asked the higher education community to present recommendations on how to improve our programs. Your oversight hearings on these proposals, combined with HEW's regional hearings, shaped the ensuing dialog between the Congress, the administration, and the postsecondary education community.

As we confront the difficult technical issues raised by this legislation, Mr. Chairman, we must not lose sight of its ultimate objective and the ideals that underlie that objective. There continues to be a strong consensus in this country—and these, Mr. Chairman, I might say are the Secretary's own personal words:

> That a quality education is a national birthright for all Americans;
> That this right is without regard to race, religion, or financial status;
> That an educated electorate is the most effective means of assuring a sound and responsive government; and
> That America's young people are our most precious national resource.

We are fast approaching a time of great crisis in American education. The number of students in the 18 to 24 age group will decline significantly over the next decade. The cost of education is rising dramatically. The ability of the average American family to meet these costs is becoming increasingly difficult. The doors of many colleges and universities will close in the coming years because of this demographic and financial situation. In these circumstances, we cannot afford to waste a single Federal dollar on an inefficient education program.

William Penn said that "Good instruction is better than riches." Today, careful management of Federal riches is a crucial factor in assuring good instruction for all Americans.

The proposals we advance today will vastly improve the management of our diverse Federal education programs:

We recommend a total overhaul of the student loan system.

We propose mechanisms to tighten administration, control costs, and cut fraud and abuse in student aid.

We suggest measures to streamline our programs and reduce their paperwork requirements.

We recommend guidelines to assure that every student has a fair chance to receive Federal education benefits.

We propose ways to strengthen the Federal contribution to developing colleges.

We recommend changes to enhance our Nation's capacity to conduct basic research.

In partnership with your hard-working subcommittee, Mr. Chairman, its counterpart in the Senate, and the Appropriations Committees, the administration has increased spending for education by 40 percent—from $8.9 billion in fiscal year 1977 to $12.3 billion in fiscal year 1980. During the same period, Federal spending for postsecondary education has increased 50 percent—from $3.4 billion to $5.1 billion.

Less than a year ago, the President signed historic amendments to the Elementary and Secondary Education Act. These amendments strengthened the role of the Federal Government in serving the poor, the limited English speaking, and low-scoring students.

At the same ceremony, the President also signed the Middle Income Student Assistance Act—MISAA—extending the benefits of Federal student assistance to millions of middle-income students. Your eloquent remarks highlighted that occasion, Mr. Chairman.

This year the President has proposed, and the House and Senate have passed, legislation to create a cabinet Department of Education. The enactment of this legislation will greatly improve the Federal Government's capacity to manage efficiently and responsibly.

President Carter has made a historic contribution to American education. He has helped achieve the commitments made more than a decade ago by another President, Lyndon Johnson, committed to equal opportunity and excellence in education. The results in educational areas reflect that commitment and the work of this committee in the Congress. Over the last decade the percentage of the minority college-age population actually enrolled in postsecondary education has nearly doubled—from 13 percent to 25 percent.

At a time when it is fashionable to question the effectiveness of Government, these extraordinary gains speak eloquently of our government's progress in realizing one of America's most cherished ideals: that every student has access to all the education he or she can take.

Let me begin with our proposals for reforms of the Federal student loan programs.

In the area of student aid, we have major recommendations to clarify the purpose, modify the terms, and restructure the administration of the Federal Government's two major student loan programs—the national direct student loan—NDSL—program, and the guaranteed student loan—GSL—program. These are, as you know, the largest Federal student loan programs, with total lending in fiscal year 1979 of about $3 billion; and program costs—primarily Federal interest subsidies and default payments—now expected to total $1.3 billion.

Your hearings and our own experience have provided ample evidence of the several chronic problems with these Federal loan programs. These longstanding problems of unclear loan availability, administrative complexity, high default rates, unclear and overlapping purposes, and high costs to the taxpayer have convinced us that major changes in these programs are now required.

With your permission, Mr. Chairman, I propose to outline our proposals for loan reform, and then try to set forth the reasons why we believe they are superior to what now is in place and will correct the longstanding weaknesses that many observers have recognized. We recommend a reform of NDSL that will completely overhaul this campus-based program. The Federal Government would assume the responsibility for the financial and administrative management of the program. The campus-based financial aid officer would be responsible for assessing the available Federal, State, institutional and family resources, and for tailoring the aid packaging to the individual needs of each student.

The basic loan program would have the following features:

Federal capital would be used to assure access to loans;

All undergraduate and graduate students—except those attending graduate and professional schools in the health professions, business, and law—would be eligible;

Loans would be strictly limited to unmet need;

Unmet need would be calculated by taking into account the family contribution, scaled to available family income; Federal, State, local, or institutional grants; and a student self-help contribution of $700. Student financial aid officers would have discretion to waive the self-help requirement in unusual circumstances.

While most students would be eligible, more than 85 percent of basic loan funds would go to students from families with incomes less than $20,000;

Basic loans would be subsidized by the Federal Government at interest levels substantially below the market rate. They would carry an interest rate of 7 percent, or the Treasury bill rate minus 1 percent, whichever is less. Students would pay no interest while in school and until 4 months after completion of their course of study;

Loan amounts would be limited to $3,750 annually and $12,500 cumulatively for undergraduates, and $5,000 annually and $25,000 in the aggregate for both undergraduate and graduate study;

We would continue to rely upon institutions and their skilled financial aid officers to work out student aid packages, including the loan components, directly with students; the Federal Government would provide the capital and be responsible for loan collection;

The terms for repayment by the student would be variable.

The program would be phased in over 3 years. One would fund approximately 60 percent of estimated need in fiscal year 1981, increasing to 100 percent by fiscal year 1983.

We make less far-reaching but still significant changes to the present GSL program, retitling its purpose under the rubric of a supplemental loan that would spread the costs of education over a longer period of time.

We would maintain the basic dependence now in GSL on private capital, but we recommend redirection to assist parents and students to meet the required family contribution and/or the proposed $700 student self-help requirement.

These liquidity loans would have the following features: They would be available to all students, regardless of family income, with educational needs not met by other sources;

We would establish the interest rate for these liquidity loans at the Treasury bill rate plus 1 percent, as contrasted with the 7 percent rate for the basic loans;

Lenders would receive a special allowance of 2.5 percent to keep supplemental loans competitive with other banking investments.

We would not forgive interest, as under the current GSL, while students are in school. Instead, the amount of the loan request would be increased at the outset to cover the student's interest payments for the inschool period.

Capital for the supplemental loan program would be provided by the private sector, with loans being insured by State guarantee agencies and the Federal Government, as in the current GSL program.

Loan amounts would be limited in two ways: First, students could not borrow more than their cost of education minus Federal, State, or institutional assistance; and, second, loan maximums would be set.

The amount borrowed under the supplemental loan program, when combined with any amount borrowed under the basic loan program, could not at any time exceed $20,000 for undergraduates and $40,000 for both undergraduate and graduate studies.

We would also rebuild the Student Loan Marketing Association, Sallie Mae, as a Government-managed agency like Ginny Mae.

In 1972, Congress chartered a specialized, for profit, privately managed financial institution that became known as Sallie Mae. This institution was designed to provide a secondary market for student loans originated by commercial banks, and to attract and expand private capital for the underwriting of student loans.

The original Sallie Mae concept was valuable and well worth a trial run. After nearly 5 years experience, however, all available evidence suggests to us, and to others who have studied it closely, that the services and benefits provided by Sallie Mae are not worth the public costs.

For example, instead of attracting private capital, Sallie Mae has become 98 percent dependent on access to capital from the Federal Financing Bank. Sallie Mae, then, lends this money to commercial banks at a greater interest rate than it pays to the bank. We do not believe Sallie Mae has used its privileged position to stimulate the availability of student loan resources throughout the country in small- and medium-sized financial institutions.

Rather, it has pursued policies that concentrate its relationship with the biggest, strongest banks in a relatively small number of cities; policies that maximize its profits and ease its administrative burden.

In short, this profitable, privately controlled and managed enterprise, whose chief executive officer receives an annual salary of $130,000, is kept afloat with Federal Government guarantees and subsidies. After careful study, we recommend an orderly termination of the Sallie Mae experiment.

To substitute for Sallie Mae, we seek authority from the Congress to create a new financial agency to manage the proposed basic loan program, and to provide the needed secondary market for the proposed supplemental loan program.

The new educational financing agency would be structured along the lines of Ginny Mae in the Department of Housing and Urban Development, with a president appointed by the Secretary, compensated in accordance with Government pay scales and obligated to maximize the public interest rather than private profitability.

Now, I would like to compare the major differences and goals of the administration's loan reform proposals with current programs.

We believe more students will be aided under the new programs. Under the basic loan program, 35 percent more students, 1.2 million, will be aided in 1981, than in 1980 under NDSL as presently budgeted. The average loan will increase to $720; and, as the program is phased in, we can expect that loan averages will continue to increase.

The supplemental GSL program will serve fewer students, and the size of the average loan will decrease from $2,000 to $1,600, we estimate. Most students will have their educational costs met through grants, self-help, and basic loans, needing supplemental loans only to meet liquidity needs.

By 1983, 2.7 million students will receive loans under the new programs, an increase of 500,000 from current levels. We advance these revised programs to insure that every student who needs a loan will be able to obtain one.

Our basic loan proposal will assure that any student who needs additional funds to obtain a postsecondary education will be able to receive a loan. We intend to model this program on the successful concept of the basic educational opportunity grant program, which uses a national system to distribute available funds fairly to eligible students, regardless of where they live or go to school.

The current NDSL program has clearly not achieved the goal of equitable distribution of funds. Despite the infusion of $4.3 billion in Federal capital over 20 years, nearly half of the postsecondary institutions now participating in the basic grant program are either unable or unwilling to meet the 10 percent NDSL matching requirements, or to service and collect loans, as required. Students attending these schools, therefore, are not able to obtain the low-cost loans.

Furthermore, under the current NDSL State allocation formula, students in the same circumstances are treated differently. The formula does not distribute loan funds according to actual State loan needs, and allocations to institutions within States also raise issues of equity.

Because of the inadequacies of NDSL, many needy students have tried to turn to GSL. But private lenders in the GSL program frequently have not served the poor, minorities, and women students fairly, preferring to deal with those students whose families have established banking relationships.

Our proposal seeks to bring interest rates in federally supported loan programs up to date.

The current interest rate of 3 percent for NDSL was set in 1958. It is hopelessly out of date and exceedingly costly to the taxpayer in an era when rates for long-term mortgages exceeed 10 percent, and the market rate of interest for unsecured personal loans ranges from 12 to 15 percent.

In light of changed economic conditions, we propose an interest rate of 7 percent, or 1 percent below the Treasury bill rate, whichever is lower, for the basic loan, a rate still several points below the current rate for commercial loans and home mortgages.

We believe our proposals will improve administration of these major programs.

Our basic loan proposal will federalize loan servicing and collections. Universities are not by temperament or by organization equipped to act as bill collectors and they should not be asked to divert precious resources to such efforts.

For many years, both GSL and NDSL have been attacked by critics in the Congress and elsewhere for their high default rates and poor collection efforts.

Recently, Secretary Califano set in motion new efforts and procedures to deal with these problems in both programs. In the Government-managed GSL program, the Department has collected more defaulted loans during the first 9 months of this fiscal year than throughout the entire 2 previous years combined, $30.5 million, which amounts to 38 percent of the total $80 million collected on defaulted loans since the program began in 1965.

Over this same period the number of defaulters was reduced from 400,000 to 237,000. Based on these statistics, we hope to eliminate the backlog of defaulted loans in the GSL program by the end of 1980.

The story with regard to NDSL is a sharp contrast. Despite several actions we took in fiscal year 1978 to assist postsecondary institutions in improving the administration of the NDSL program, I regret to report that defaults under that program continue to rise.

Between June 30, 1977 and June 30, 1978, the latest period for which figures are available, NDSL student defaults rose from 713,000 to more than 841,000, and the amount of money in default rose to more than $700 million.

We cannot permit defaults in this program to continue increasing. It is, in part, for this reason that we are proposing our basic loan program with the Federal Government assuming administrative responsibility for the program. Our proposals redefine GSL as a supplemental liquidity loan.

We propose to provide loans for students and, for the first time, parents who want to spread the costs of postsecondary education over a longer period of time. This continues the focus of the current GSL program which has served this population more effectively than it has served the needy.

Finally, we believe our proposals, by controlling the costs of Federal loan subsidies, make possible a wider sharing in these resources. The new supplemental loans, designed to meet family liquidity problems or to substitute for the required work contribution that we propose, will be priced accordingly:

The interest rate will be Treasury bill plus 1 percent, still cheaper than the market rate for personal loans, and inschool interest costs will be deducted from the loan, not forgiven.

The terms of the present GSL, with rates of 7 percent and forgiveness of inschool interest, are acceptable for need-based loans, but cannot be justified for loans of convenience at a time when home mortgages have rates of more than 10 percent and personal loans have rates of 12 to 15 percent.

Middle-income students, currently participating in GSL, who have a remaining need for loans will continue to receive substantial interest subsidies and payment of inschool interest under the basic loan program.

We propose in addition two important complementing administrative reforms that are closely related to the restructuring of the loan programs that I have outlined.

We support and look foward to the adoption of a single needs analysis system. We seek statutory authority to develop and implement a single needs analysis system for all Federal need based student aid programs. Developed in close consultation with the higher education community, the resulting needs analysis system, like the present family contribution schedule used for the BEOG program, would be subject to congressional review.

At present, as you know, two major methods are used to calculate a family's expected contribution to their child's education.

The basic grants family contribution schedule is used for Federal BEOG grants.

The uniform methodology is widely used for other Federal campus based aid programs, and by States and institutions for their own student aid programs.

Because these separate needs analysis systems yield a different expected family contribution from the same family, students and financial aid officers now must cope with both the complexity and confusion of two distinct determinations of need, depending on which schedule is used.

Our recommendation strives to bring together the professional experience of more than a decade behind one system that will end the complexity and confusion of present arrangements.

We also favor the adoption of a single application form with the cost of processing borne by the Government rather than the student aid applicant however we do not wish to preclude processing by States, institutions, and private services.

Students, parents, and institutions have been plagued by complexity and confusion resulting from the multiple application forms required to obtain Federal, State, and institutional aid.

For the past 2½ years, under the Secretary's personal prodding, HEW has been working on developing a single application form.

While the use of this single form for Federal programs clearly falls within the scope of HEW's administrative authority, we recommend that the Congress insure the continuation of the single form in future years by mandating its use in the statute.

Mr. Chairman, that represents the heart of the administration's proposals in the student aid area.

I would not want to end formal testimony without making reference to important proposals under title III, title VII, and some changes we recommend with respect to title I, but I would bow to your wishes with respect to pausing here for such questions you may have in this area which, of course, is at the heart of our testimony.

Mr. Ford. Thank you very much.

There is more than an ample amount of material for us to try to digest quickly, and while we have been somewhat prepared, the proposals are indeed very bold.

It is very clear that there are a number of people here and some who will later wish they had been here.

We are going to have reactions to the legislation, and I am going to suggest to the committee, unless there is objection, that we try, as we have indicated before, to finish the hearing process, by the time the August recess starts, so that the staff and administration and others can get to work on drafting legislation for us to consider promptly in September.

We have a limited number of days in the next 2 weeks available for hearing, but we would hope to cover the following:

We have a request from Senator Ted Kennedy to appear and present a loan program that he and Senator Bellmon have introduced, or are introducing today, that they have been talking with us about for some time.

We would expect to devote another full day to the grant programs, and then try to work in a day or two of hearings on loans, since most of your proposal deals with loans.

We have already been made aware of the concern in the Education Committee over proposed changes with respect to the loans, so that we might accommodate the educational groups that have already indicated they want to respond specifically.

We would like to try to do it in this fashion, to have panels of people to deal with the specifics of Sallie Mae loans and specific provisions of the loan programs representing the various interest groups, along with, as a member of the panel, a representative of HEW who could be available to the committee, so that as the comment comes with regard to the specific legislation proposed by the administration, you would have the appropriate person from your shop who could respond on behalf of the administration to questions from the committee and to questions raised by the others on the panel.

It is a little bit unusual to put proponents and potential opponents on the same panel, but it will give us an opportunity to compress the time and have everybody in the ring at the same time, so to speak.

It is not intended in any way at all to foreclose a complete and broad discussion of the administration's proposals, but we are very determined that we are going to get a bill in this Congress, and that gives us some absolutes to deal with.

One absolute is that we have got to have this process concluded before the August recess to give the professional staff time to put something meaningful together for us to begin working on in September and October.

This committee is going to have to work long hours with the time that we have left to be able to do that.

At the same time we are very sensitive and should be to the fact that these are major changes that are being proposed sort of late in the process that are entitled to consideration because they come from the administration. They also deal with issues that have been on people's minds for a long time, so we need a full and complete examination before we start marking up or writing legislation.

Tom Wolanin, the subcommittee staff director, has already worked up a list of potential topics for the balance of the hearings, funds allocations, SSIG and campus-based needs and an analysis of single form, institutional eligibility and accreditation, title III, grants and loans.

So you see we still have a number of loose ends and details to work out. For that reason, I would not want to begin with any very specific questions with you this morning, but would comment that this is indeed a very comprehensive set of proposals for us to consider.

I can assure you that should you or your designated representative wish to follow this format with us, there will be plenty of questions at the next session.

I expect toward the first of the week we will have an adequate number of recommendations and requests for an opportunity to be heard so that in a very short time we can give you a feel for it and we can have a feel for the professional reactions of the people who are intimately acquainted with programs that would be changed under this proposal.

I recognize the gentleman from Alabama.

Mr. BUCHANAN. First, let me commend the chairman and the staff for his format. It may be unusual but, like the entire proceeding on this committee of this very important legislation and this Congress, I think it has much to be commended.

I think the chairman began an unusual method by requesting the written comments of some of the education entities and compiling the information. This compilation can be of substantial value.

Since Washington is an island insulated from the rest of the country and insensitive to it, and, whatever the merit of our proposals they originate in Washington, it is valuable to have other spokespersons from various other parts of the country, so that we may hear the voices of people as well as those of the insulated island of Washington.

Just for the record, I have found many more good people even in the vast jungle of HEW than the world dreams of, just for the record.

If everyone who works in Washington is isolated, everyone who works on Capitol Hill must be blind, dumb, deaf, and crazy, because if one can represent a congressional district and not hear the voices of the people, he really has to isolate himself in a closet somewhere.

We hear massively from the American people every day of every week, and if you put it all together, this Hill is like a mirror reflecting what the American people are. If we are an island, we are one swept by all the winds and tides of—the whole country of the United States, just for the record.

You indicate in your testimony present loan programs have a total in fiscal 1979 of about $3 billion and the program costs are expected to total $1.3 billion.

Do you have any estimates of the total loan volume you would expect to occur under the new loan program and also what the total program costs would be under these programs?

Mr. **Bohen**. I do have that information, but it's not in the testimony.

If you give me a minute I think I can find it.

We expect the total lending volume under these programs to grow about $600 million or $700 million a year.

We propose that these programs be put in place in time for fiscal year 1981, and we would expect the loan volume in that year to be about $3 billion and by 1983 when we would expect to have phased in the full Federal budgetary support required to make them work, we would expect the lending volume to be at the level of $4.4 billion and by 1985 at the level of $5.3 billion, so that we would expect lending volume to grow rather substantially year-by-year.

In terms of Federal program costs, these proposals have been quite carefully put together with an eye to what we would project program costs to be year-by-year under the existing structure.

I believe the Secretary on March 20 testified at some length about rapidly rising costs, and to some degree uncontrolled costs in these programs.

We have been under some constraint, I might say, in devising these proposals and in terms of their phasing to insure that we didn't substitute for something that was rising rapidly and to some extent uncontrollably, something of the same character or even worse.

Our estimate of Federal costs, as I indicated, are about $1.3 billion in the current year, 1979. We project that in 1981, without these changes, they would be $1.65 billion.

We are proposing a program in 1981 that would be somewhat smaller than that, and by the year 1985 is projected to grow to about $3.3 billion, which is considerably less than we project the current programs to grow on the same set of economic assumptions.

Mr. **Buchanan**. Could you include for the record those projects and the chart, and the figures you mentioned?

Mr. **Bohen**. Yes, sir; both the charts.

[The information referred to above follows:]

Comparative Summary of Costs and Program Data for the Administration's Student Loan Proposals

The attached table provides a comparison of the costs, loan volumes and number of students aided under the current and proposed student loan programs. Also included are the assumptions made in developing the estimates.

The table shows the following:

Costs

o The costs of the current Guaranteed Student Loan Program are expected to increase from $1,180 million in 1980 to $3,520 million in 1985, an increase of almost 200 percent.

o Under the Administration's proposal, the combined costs of the Basic and Supplemental programs would increase from $1,500 million in 1981 to $3,335 million in 1985, an increase of about 125 percent.

o The Basic Loan program would be phased-in over a three year period, supporting 60 percent of estimated student need in 1981, 80 percent in 1982 and 100 percent in 1983.

--In 1981, the phase-in scheme permits cost savings of $150 million when compared to the expected costs of the existing loan programs.

--In 1982, the cost of the proposed and existing programs would be about the same.

--In 1983, the first year for full-funding of the Basic Loan program, the combined costs of the proposed loan programs would be $265 million greater than the costs of the current programs.

--By 1984, the cost difference narrows to $45 million and by 1985, the proposed programs show cost savings of $405 million when compared to the costs of the current programs. These cost savings are possible because of significant repayments of Basic Loans, making it possible to reduce the amount of loan capital borrowed from the Treasury.

147

- Loan volume under the current programs is expected to increase from $4,760 million in 1981 to $7,640 million in 1985, while loan volume in the proposed programs would increase from $3,000 million in 1981 to $5,310 million in 1985.

- Loan volume in the Supplemental program would increase generally each year from $2,160 million in 1981 to $2,930 million in 1985 which is significantly below expected loan volume increases in the current Guaranteed Student Loan program for the same period. Loan volume in the Basic program would increase more substantially from $900 million (funding 60 percent of student need) in 1981 to $2,380 million (fully funding student need) in 1985. Many of the students current served by GSLP would receive need-based Basic Loans, reducing the demand for the more costly Supplemental Loans.

- The overall reduction in loan volume in the proposed programs is possible because these loans would be limited to need in the Basic Loan program and to replacement of the expected family contribution and the self-help expectation in the Supplemental Loan Program. In addition, the combination of grants, State aid, institutional aid, and loans could not exceed the cost of education.

Students Aided and Average Loan Amounts

- The total number of students aided would increase from 2.5 million in 1980 under the current programs to 2.8 million in 1985 under the proposed programs.

- Loans under the Basic program:

  --Loans averaging $720 will be provided to 1,250,000 students in 1981.

  --When the program is fully funded in 1983, loans averaging $1,405 will be provided to 1,352,000 students and by 1985, loans averaging $1,630 will be provided to 1,460,000 students.

  --The average amount of the Basic Loans is significantly higher than the Direct Loan because the Basic Loan will provide the funding required to meet student need after taking into consideration other Federal, State, local and institutional aid, family contributions, and student self-help.

o Loans under the Supplemental program:

--Loans averaging $1,600 will be provided to 1,350,000 students in 1981, and by 1985, loans averaging $2,175 will be provided to 1,347,000 students.

--The reduction in the average Supplemental loan from the current Guaranteed loan is possible because student need will be met through the Basic program with the Supplemental loan substituting for the expected family contribution and the self-help requirement. In addition, the Supplemental loan will be priced closer to current interest rates and students and parents will be less inclined to turn to these loans.

Costs and Loan Dollar Volume: Current and Proposed Programs

(Dollars in Millions)

Costs	1978	1979	1980	1981	1982	1983	1984	1985
CURRENT PROGRAMS:								
Direct Loans (NDSL).....	$ 310	$ 310	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220
Guaranteed Loans (GSL).	520	970	1,180	1,430	1,780	2,200	2,760	3,520
Total............	830	1,280	1,400	1,650	2,000	2,420	2,980	3,740
PROPOSED PROGRAMS:								
Basic Loans								
Capital...............	--	--	--	485	950	1,572	1,847	2,117
Cost of Borrowing from Treasury............	--	--		30	210	323	303	198
Subtotal, with phase-in	--	--	--	515	1,160	1,895	2,150	2,315
(Full cost)				(1,130)	(1,570)	(1,895)	(2,150)	(2,315)
(% Loan Volume)				(60%)	(80%)	(100%)	(100%)	(100%)
Supplemental Loans:								
Subsidies and Default Payments............	--	--	--	985	840	790	875	1,020
(Phase-out of GSI)....	--	--	--	(910)	(705)	(530)	(390)	(275)
Total, Proposed Programs...........	830	1,280	1,180	1,500	2,000	2,685	3,025	3,335
COSTS OF PROPOSED PROGRAMS COMPARED WITH CURRENT PROGRAMS................	--	--	--	-150	--	+265	+45	-405

(Dollars in Millions)

	1978	1979	1980	1981	1982	1983	1984	1985
Loan Dollar Volume								
CURRENT PROGRAMS:								
DIRECT LOANS.............	$605	$640	$640	$640	$640	$640	$640	$640
GUARANTEED LOANS.........	1,855	2,600	3,530	4,120	4,760	5,430	6,210	7,000
Total..........	2,460	3,240	4,170	4,760	5,400	6,070	6,850	7,640
PROPOSED PROGRAMS:								
Basic Loans..............	--	--	--	900	1,330	1,900	2,140	2,380
Supplemental Loans.......	--	--	--	2,160	2,340	2,540	2,730	2,930
Total..........	--	--	--	3,060	3,670	4,440	4,870	5,310
Students Aided								
Direct/Basic Loans:								
No. Students Aided (Thousands)...............	852	901	901	1,250	1,285	1,352	1,417	1,460
Average Loan ($)...........	710	710	710	720	1,035	1,405	1,510	1,630
Guaranteed/Supplemental Loans								
No. Students Aided (Thousands)...............	1,025	1,300	1,620	1,350	1,353	1,358	1,355*	1,347*
Average Loan($)............	1,810	2,000	2,190	1,600	1,730	1,870	2,015	2,175
Total No. Students Aided (Thousands)...............	1,877	2,201	2,521	2,600	2,638	2,710	2,772	2,807

*Reduction in number of students aided caused by expected decline in enrollments.

Explanation of Summary Table

Cost estimates are a function of dollar volume of loans and interest rate assumptions.

Current Programs

Guaranteed Loans:

--Dollar volume assumptions for FY 1979 and FY 1980: Increases in first half of FY 1979 of 38 percent continue through FY 1980.

--Loan dollar volume assumptions for FY 1981 - FY 1985.

- Postsecondary enrollment declines gradually consistent with NCES projections.
- Average loan amount increases by eight percent per year.
- Participation increases by one percent per year from 15 percent in FY 1981 to 19 percent in FY 1985.

--Special allowance rate based on OMB's mid-session projections of 91-day Treasury bills.

Direct Loans:

--Continues current level for new Federal capital contributions to institutional revolving funds.

Proposed Programs

Cost estimates exclude the cost of the proposed Government Student Loan Association which would administer the new Basic and Supplemental Loan programs and provide a secondary market for supplemental loans.

Supplemental Loans:

--Loan dollar volume assumptions for FY 1981 through FY 1985:

- Participation of eligible students remains constant at 15 percent.

- Average loan amount increases by eight percent per year.
- Enrollments gradually decline consistent with NCES projections.

--Yield to lender: 91-day Treasury bills plus 3-1/2 percent (based on OMB's mid-session projections of 91-day Treasury bills).

--Cost to student: 91-day Treasury bills +1 percent. Federal Government pays difference of 2 1/2 percent for duration of loan.

Basic Loans:

--Loan dollar volume assumptions

- Participation of eligible students increases from 21 percent in FY 1981 to 25 percent in FY 1985.
- Average loan amount increases by 8 percent per year.
- Enrollments decline gradually consistent with NCES projections.

--Capital: Amount of loan capital borrowed from Treasury.

--Cost of Borrowing from FFB: Assumes that amount borrowed will be repaid over ten years at an interest rate of T-Bills plus 1/8 of one percent. Payments to FFB are net of income from collections.

--Claims: 5 percent of annual loan volume that is eligible for repayment is loss as the result of default, bankruptcy, death, or disability.

--Phase-in Plan: Program phased in over three years, with 60 percent of total loan volume in 1981, 80 percent in 1982 and reaching 100 percent in 1983.

Mr. BUCHANAN. Can we count on these remaining given present circumstances, as the administration proposals, the official administration proposals on this subject?

Mr. BOHEN. Yes, Mr. Buchanan. The administration's position, as the chairman and many members of this committee know, has been worked out over many months.

We felt conflicting pressures and values, just as this committee feels them.

We have worked very intensively over the last 6 weeks with White House staff and with the Office of Management and Budget. I myself have led the HEW delegation through the issues.

Our proposals have benefited from the same kind of searching review that you will conduct here.

They have been approved, and this testimony has been cleared and approved, as the administration's position.

Mr. BUCHANAN. Thank you.

Mr. FORD. Will the gentleman yield?

I am informed that after we started the hearing this morning there was delivered to our committee office the specific legislation to implement the testimony here this morning, and that it has been signed off by OMB.

That is the first time we have reached that stage, and we just do not have time to go back to OMB.

Mr. Buchanan, that is their position, whether they like it or not.

If they had asked me for my list down there, there wouldn't have been anybody there this morning to sign off on it.

Thank you very much.

We are very grateful.

Excuse me; Mr. Tauke, do you have some questions?

Mr. TAUKE. I just have one question, Mr. Chairman. This question, however, may have several parts.

The proposed basic loan program could be considered an entitlement program because of its total availability to any student up to set maximums.

Does total access to some form of a loan tend to push up tuition prices, because colleges know they can increase the tuition and, therefore, capture more Federal dollars?

Mr. BOHEN.

The unmet need, which is used to calculate the basic loan, presumably flows out of a basis of tuition and other costs of attending school that will be met one way or another, or the students who cannot meet it simply won't attend.

We believe, and we have no evidence to suggest that either in the NDSL program, which has met some of these needs, or in our proposals, that we would free colleges to make pricing changes that other circumstances are not forcing them to make.

Mr. TAUKE. Certainly you are aware of the very substantial increases in costs of tuition over the last several years. There has been a suggestion by some that the reason this is the case is they felt the gap of money available and the more money that is available the higher the costs will go.

What is the factor that will keep tuition costs down if the funds are available?

Mr. **Bohen**. Well, I think the various resources that are provided from the family and the student self-help requirement that we are now adding as a requirement, for participation in these programs, and such Federal and other subsidies as are available will be present.

We will provide you for the record our analysis of the evidence on this question.

Mr. **Tauke**. I would appreciate an analysis of that sort.

Thank you very much.

Thank you, Mr. Chairman.

[The information referred to above follows:]

Reasons Why Administration's Loan Proposals Will Not Increase College Costs

There are several reasons why we believe these loan proposals will not increase the college costs faced by students and their families.

First, historical data indicate that the availability of Federal student aid does not by itself induce unjustifiably large increases in the cost of a college education. For example, total Federal outlays for student aid increased more than four-fold from $1.7 billion in FY 1969 to ~~our~~ over $7.3 billion in FY 1977. Over the same period, average tuition and fees for a resident full-time student rose by 75% and room and board costs by 68%. The combined effect of these increases still trailed the 74% increase in the Consumer Price Index (CPI) over the 1969-77 period, despite the massive infusion of Federal student aid dollars.

Second, colleges and universities are faced with other pressures as they enter the 1980's which will act to restrain increases in tuition and other charges. Not the least of these is the projected decline, or at best a leveling off, of college enrollments. The level of student charges will certainly be a factor as institutions compete among themselves for a limited number of students.

Third, a distinction must be made between grants and loans in terms of their impact on educational costs. In the case of grants, it may be possible for an institution to raise its tuition and have the full amount of that increase borne by the Federal government rather than the student. However, in the case of loans, students ultimately have to bear a significant portion of the costs and institutions, therefore, have an incentive to minimize ~~the~~ loan burdens ~~of students.~~ as they compete for students.

Fourth, our loan proposals provide assistance to students only for actual educational costs. These costs must be met regardless of whether the Federal government makes student loans available or not. The effect of our loan proposals is to provide students (and their families) the option of using loans to meet a portion of these educational costs.

Finally, we expect the loan dollar volume under our proposed programs to be somewhat less than the projected volume under the current programs, if extended. By clarifying the purposes of the two loan programs and by encouraging students to use loans only as a source of last resort, we believe that many students will be relieved of an unnecessarily heavy loan burden. Consequently, to the extent that improved access to loans is viewed by institutions as an opportunity to raise their charges, the cost impact will be less under the Administration's proposal than under current programs.

Mr. **Ford**. Thank you.

Mr. Simon?

Mr. Simon. I have no questions, sir.

Mr. **Ford**. We will try to announce the specific dates for the hearings for the balance of the next 2 weeks as rapidly as possible.

With consultation with the minority, I hope we can get something out today, so that we can proceed and next week will be rolling right along.

I know we will be calling on you for a lot of specifics and we will try to anticipate in the next couple of days what those are going to be from the committee members so that when your representatives are here they will be prepared to respond to the specifics.

Mr. **Bohen**. Mr. Chairman, the department has already applauded and agreed to participate fully in your proposed seminars on this subject, and I can assure you personally that I will take the responsibility to see that we are involved and as well prepared as we can be.

If I could, since I stopped in the middle of the testimony, I want to underscore the importance that the Secretary attaches and the administration attaches to our proposals under title III—the developing institutions program. We also have proposals for some changes in title VII, technical changes in the law, which would permit the Federal Government to do something with respect to the facilities and equipment needs in the major research universities.

It is spelled out in considerable detail in this testimony. It is an issue and a problem that perhaps does not grab the headlines, but I can tell you that it has engaged Secretary Califano's personal attention, and he is very responsible for the work we have done to try to define the problem and the Federal interest in addressing it.

If this testimony were to have a memorial to the Secretary in terms of a new idea and a new concern, I would say the section of it devoted to the changes in title VII would be very fitting, because it is something he has personally worked on a great deal.

Mr. **Ford**. Thank you, and I want to thank you for your appearance here on very short notice and less than ideal conditions.

I say to my colleague from Alabama, he is much more gracious the morning after the Wednesday night mass massacre than I was the morning following the Saturday night mass massacre.

That turned out to be a mistake, too, didn't it?

With that, the committee will be in recess until Wednesday morning at 9:30 a.m.

[Whereupon, at 11:10 a.m. the Subcommittee on Postsecondary Education recessed, to reconvene Wednesday, July 25, at 9:30 a.m.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

Part 8—Administration Proposal

WEDNESDAY, JULY 25, 1979

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2175, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Simon, Weiss, Ratchford, and Buchanan.

Staff present: Thomas R. Wolanin, staff director; Patricia F. Rissler, deputy staff director; William C. Clohan, minority assistant education counsel; Jennifer W. Vance, minority legislative associate.

Mr. Ford. The Subcommittee on Postsecondary Education will come to order for the purpose of continuing hearings on the reauthorization of the Higher Education Act and related measures.

This is now the 26th hearing on reauthorization.

Last Thursday, July 19, the subcommittee received the administration's reauthorization recommendations.

The Secretary's statement and the accompanying draft legislation are the most comprehensive and challenging set of recommendations we have received, perhaps it's fair to say the most comprehensive and the most challenging received from any single source, assuming the administration to be a single source.

Our hearing today as well as the additional hearings scheduled for this week and next will focus on those features of the administration's bill that represent the most significant departures from current law, and we are doing this, as we explained in advance, by subject matter with panels consisting of people who have expressed the most interest in reacting to the administration's proposal and together with spokesmen for the administration, so that the members of the committee can question both the administration and the other panelists at the same time with respect to particular subject matters before the committee on each day.

Our hearing today will consider the recommendations with respect to title III, strengthening developing institutions, and with respect to institutional eligibility.

For title III the administration proposes to clarify the purpose of title III in line with new regulations that are in the process of promulgation, targeting it on institutions with a high proportion of needy students and low per pupil expenditures.

The administration also proposes to establish a new $50 million title III challenge grant program, to increase the overall title III authorization level to $250 million per year, and to provide the option of longer term funding for title III grant recipients.

For institutional eligibility the administration proposes to sever the link between accreditation and institutional eligibility, to strengthen the standards of institutional administrative and fiscal responsibility and to require that certain types of information be provided to students as a condition of eligibility.

The first panel this morning will have Mary Berry, Secretary of HEW for Education and Acting Commissioner of Education; Mr. Alfred Moye, Deputy Commissioner for Higher and Continuing Education; Norman Francis, president of Xavier University of Louisiana, representing the National Association for Equal Opportunity in Higher Education; Alban Reid, president, Bergen Community College, Paramus, N.J., representing the American Association of Community and Junior Colleges, and Alvin Rivera for the National Hispanic Higher Education Coalition.

We have been presented with prepared statements.

I would think, without objection, the statements submitted to the committee with respect to this morning's subject matter will be included in full in the record, and I would ask that each of the panelists beginning with Secretary Berry to comment on the statement or add to it or supplement it in any way he wishes, and ask the members of the committee if we can to withhold questions until each of the panelists has made his comments, and then we will proceed to ask questions from the committee.

Secretary Berry?

STATEMENTS OF DR. MARY F. BERRY, ASSISTANT SECRETARY FOR EDUCATION AND ACTING COMMISSIONER OF EDUCATION, HEW; DR. ALFRED L. MOYÉ, DEPUTY COMMISSIONER FOR HIGHER AND CONTINUING EDUCATION; DR. NORMAN FRANCIS, PRESIDENT, XAVIER UNIVERSITY, REPRESENTING THE NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION; DR. ALBAN E. REID, REPRESENTING THE AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES, PRESIDENT, BERGEN COMMUNITY COLLEGE; AND DR. ALVIN RIVERA, REPRESENTING THE AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES, NATIONAL HISPANIC HIGHER EDUCATION COALITION

STATEMENT OF DR. MARY F. BERRY, ASSISTANT SECRETARY FOR EDUCATION AND ACTING COMMISSIONER OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Dr. **Berry**. Thank you very much.

I am pleased to be here this morning. I came here to testify on title III programs with Alfred Moyé, the very able Deputy Commissioner, for several reasons. One reason was to indicate that there is somebody alive and well and running education at HEW, and that I am still the duly constituted and authorized Assistant Secretary and the Acting Commissioner of Education.

The other reason was to reiterate to you and to your committee that the proposals that we have placed before you are indeed the administration's proposals. The changes at the top level in HEW in recent days do not, in any way, alter these proposals.

These proposals were approved by OMB and the White House, and Secretary Harris will reiterate that they are the administration's proposals.

I think it is altogether fitting and proper that most of what we submitted in our reauthorization package relates to the student loan programs. The bulk of Federal assistance is student aid and as you know, we are focusing our attention on efficiency, effectiveness and assuring accessibility to loans.

We have made three proposals in the area of institutional aid. We propose to improve our basic research capability. We think that not only is research important to increase and improve the knowledge that is available to students who are funded by grants and loans but it also is important to maintain a strong research capability in this country.

The second proposal relates to the higher education and community outreach area in which we also are very interested. Finally, for title III, we are proposing to increase the authorization to $250 million. This is our largest institutional aid program.

We have spent much time, since we have been in office over the last 30 months, struggling to clarify and define title III, what title III is for, how it should be implemented, and trying to respond to some of the criticisms of it.

I think we successfully did that in the regulations that we issued and which governed the implementation of the program in the round of grants now being made. We came up with two criteria for eligibility—the enrollment of students from low-income families and low average expenditures per student.

We have spent a great deal of time analyzing these factors. We think they are the right ones. This is why we come to you with a proposal which reinforces the notion that developing institutions are those with a large number of students for whom we must provide access to an equal opportunity for a quality education.

We have two kinds of grants: One is a 1- to 3-year grant which is renewable. That is, an institution can reapply at the end of the grant period and be refunded. The other is a one-time 7-year grant which is not renewable. An institution makes the choice on the type of program.

Our challenge grant proposals came about because we believe that States ought to take greater responsibility for funding some of these programs in title III Instead of having a completely State-matched program and getting rid of the regular title III program, since we don't know how many States would continue to fund those institutions, we have come up with a 50-50 match where an institution, no matter what kind of regular grants it has, can apply. If it can match program funds with State funds, these institutions are eligible for additional funds for title III purposes.

In addition we have proposed a planning grant. In the existing title III, there is no planning grant required in which an institution defines for itself, over the long term, how it plans to develop its academic programs in order that it will not be forever struggling for survival and forever remaining a developing institution. That is the hope.

Finally, Mr. Chairman, we are no longer requiring cooperative arrangements. There has been a lot of criticism of cooperative arrangements. Some of them have worked quite successfully and others seem not to be targeted on the kinds of improvements that institutions need. They are no longer required in our reauthorization proposals.

We think that all of these proposals will not only improve developing institutions, if enacted, but they will go a long way toward supporting the President's commitment to helping institutions that serve large numbers of disadvantaged students and large numbers of black students—in particular, the black colleges.

We hope that these proposals will be enacted into law. My colleague, Dr. Moyé, will explain further some added changes that we have made and we propose to make associated with title III.

Thank you very much, Mr. Chairman.

[Dr. Berry's statement follows:]

TESTIMONY OF MARY F. BERRY
ASSISTANT SECRETARY FOR EDUCATION

I AM PLEASED TO BE WITH YOU TODAY TO PARTICIPATE IN THE DISCUSSION OF OUR HIGHER EDUCATION REAUTHORIZATION PROPOSALS. AS SECRETARY CALIFANO'S TESTIMONY OF JULY 19 POINTED OUT, OUR PROPOSALS ARE DESIGNED TO EXPAND OUR COMMITMENT TO AN EQUAL OPPORTUNITY FOR A QUALITY EDUCATION TO ALL AMERICANS. AS YOU KNOW, OUR PROPOSALS EMPHASIZE IMPROVEMENT OF THE MANAGEMENT EFFICIENCY AND ACCESSIBILITY OF OUR STUDENT LOAN PROGRAMS. BUT WE HAVE ALSO INCLUDED PROVISIONS FOR INSTITUTIONAL AID:

(1) A PROPOSAL TO ENHANCE OUR NATION'S BASIC RESEARCH CAPABILITY AND THE AMOUNT AND KINDS OF KNOWLEDGE AVAILABLE FOR TEACHING AND LEARNING TO STUDENTS AIDED BY OUR STUDENT ASSISTANCE PROGRAMS.

(2) A PROPOSAL TO RESTRUCTURE THE HIGHER EDUCATION AND COMMUNITY SERVICE PROGRAMS, AND,

(3) A PROPOSAL TO STRENGTHEN THE FEDERAL CONTRIBUTION TO DEVELOPING COLLEGES UNDER THE TITLE III PROGRAM.

During the past 30 months, we have made significant steps to clarify and improve our policies in support of developing institutions. This was achieved in consultation with the prople most affected by the Title III program: Administrators, professors, and students. The concrete evidence for this progress is in the regulations which we published recently. The legislative changes which were presented to you last Thursday would provide a statutory amplification of that progress.

Evaluations and reviews of the program have pointed out the lack of clarity with regard to the definition of a developing institution. We have for some time grappled with the issue of how to define equitably and effectively the eligibility criteria. You know that earlier this year HEW published regulations which contained two quantifiable criteria for eligibility -- the enrollment of students from low-income families and low average

EXPENDITURES PER STUDENT. WE HAVE INCORPORATED THESE IN OUR STATUTORY PROPOSAL. THE QUANTIFIABLE FACTORS HAVE SIMPLIFIED PROGRAM ADMINISTRATION AND INSURED MORE EQUITABLE TREATMENT FOR ALL INSTITUTIONS.

IN ADDITION, WE HAVE PROPOSED LEGISLATIVE CHANGES WHICH PROVIDE FOR A MORE EFFECTIVE APPLICATION OF FEDERAL RESOURCES BY PROVIDING FOR LONG TERM SUPPORT FOR INSTITUTIONS WHICH SO CHOOSE AND BY PROVIDING FOR CHALLENGE GRANTS WHICH WILL BE MATCHED BY NON-FEDERAL SOURCES.

THUS, WE HAVE INTRODUCED LEGISLATIVE IMPROVEMENTS THAT DEFINE THE INSTITUTIONS THAT SHOULD RECEIVE ASSISTANCE AND WE HAVE DEVELOPED PROGRAMMATIC REFORM WHICH FOR THE FIRST TIME ENCOURAGE DEVELOPMENT AND GROWTH RATHER THAN REMEDIATION.

I WANT TO POINT OUT THAT THE FACTORS DEFINING THE ELIGIBILITY OF SCHOOLS FOR THESE GRANTS WERE NOT DEVELOPED CASUALLY. DURING OUR DEVELOPMENT OF THE REGULATIONS, FIFTY-ONE DIFFERENT MEASURES WERE EXAMINED TO DETERMINE THOSE THAT BEST IDENTIFY THE TYPES OF INSTITUTIONS THE CONGRESS INTENDED TO BE SERVED.

WE BELIEVE THE EDUCATION OF LARGE PERCENTAGES OF ECONOMICALLY AND ACADEMICALLY DEPRIVED STUDENTS TO BE CHARACTERISTIC OF INSTITUTIONS THAT ARE STRUGGLING FOR SURVIVAL AND ISOLATED FROM THE MAINSTREAM, BUT ARE ALSO CONTRIBUTING TO A DESIRABLE PUBLIC PURPOSE. CONSTRUCTING A MEASURE OF THE EXTENT TO WHICH COLLEGES ARE SERVING THESE STUDENTS SEEMED AN APPROPRIATE WAY TO IDENTIFY INSTITUTIONS THAT SHOULD BE CONSIDERED FOR TITLE III FUNDING.

RELATIVELY LOW OPERATING EXPENDITURES PER FULL TIME EQUIVALENT STUDENT WAS FOUND TO BE STRONGLY CORRELATED TO A LACK OF FINANCIAL RESOURCES AND WAS FOUND TO BE THE BEST CRITERION FOR IDENTIFYING INSTITUTIONS WITH LIMITED FINANCIAL RESOURCES WHICH ARE "STRUGGLING FOR SURVIVAL" FOR FINANCIAL OR OTHER REASONS:

I WANT TO UNDERLINE THAT THESE CRITERIA UNDERWENT INTENSE SCRUTINY, THAT MANY OTHER OPTIONS WERE INVESTIGATED, AND THAT THESE WERE THE CRITERIA THAT WE THOUGHT MOST APPROPRIATE. WE WOULD HOPE THAT YOU WOULD SUPPORT OUR PROPOSAL TO MAKE THEM STATUTORY. WE MUST MAINTAIN THE PROGRESS WE HAVE MADE IN DEFINING WHOM THE PROGRAM SERVES.

THE LEGISLATIVE PROPOSAL PROVIDES THAT DEVELOPING INSTITUTIONS HAVE THE OPTION OF APPLYING FOR ONE OF TWO TYPES OF AWARDS:

--A GRANT OF ONE TO THREE YEARS AFTER WHICH THE INSTITUTIONS COULD RECOMPETE FOR ANOTHER AWARD, OR

--A LARGER ONE-TIME GRANT OF FOUR TO SEVEN YEARS, RECEIPT OF WHICH WOULD END ELIGIBILITY FOR TITLE III ASSISTANCE.

THE LONGER AND LARGER AWARDS WOULD ALLOW INSTITUTIONS AT A CERTAIN POINT IN THEIR DEVELOPMENT TO OPT FOR THE SECURITY OF A SUBSTANTIAL, LONG-TERM COMMITMENT THAT WOULD PERMIT THEM TO PURSUE MORE EXTENSIVE DEVELOPMENT PLANS.

THE BILL ALSO INCLUDES A NEW PROGRAM OF "CHALLENGE GRANTS". THIS NEW INITIATIVE WOULD HAVE A SEPARATE AUTHORIZATION OF $50 MILLION. THESE GRANTS WOULD ONLY BE AWARDED TO PUBLIC AND PRIVATE INSTITUTIONS WHEN STATES AND PRIVATE SOURCES, RESPECTIVELY ARE WILLING TO MATCH THE REQUESTED FUNDING 50-50. IT WOULD BE OUR HOPE AND EXPECTATION THAT THIS WOULD STIMULATE A PARTNERSHIP BETWEEN THE FEDERAL GOVERNMENT AND THE STATES IN THE CASE OF PUBLIC INSTITUTIONS, AND THE FEDERAL GOVERNMENT AND THE PRIVATE SECTOR THE CASE OF PRIVATE INSTITUTIONS.

WE NEED TO ENCOURAGE STRONGER COMMITMENT BY INSTITUTIONS AND BY THE STATES. AT A VERY BASIC LEVEL, THERE IS NO STRONGER COMMITMENT THAN A FINANCIAL ONE--PARTICULARLY IN THIS DAY OF STRINGENT BUDGETS. I BELIEVE THIS PROPOSAL, PARTICULARLY IN COMBINATION WITH THE PROPOSAL TO ALLOW LARGER - LONG TERM COMMITMENTS, WILL GO FAR IN FOSTERING DEVELOPMENT AND GROWTH INSTEAD OF PATCHWORK REMEDIATION.

IN ADDITION, WE ARE MAKING A NUMBER OF CHANGES THAT WILL IMPROVE THE ADMINISTRATION OF THE PROGRAM AND WHICH

DR. MOYE, THE DEPUTY COMMISSIONER RESPONSIBLE FOR THE ADMINISTRATION OF THE PROGRAM WILL OUTLINE FOR YOU.

IN CONCLUSION LET ME SAY, THAT IT WOULD BE IMPOSSIBLE FOR ME TO OVEREMPHASIZE PRESIDENT CARTER'S COMMITMENT TO THESE INSTITUTIONS--TO THE HISTORICALLY BLACK AND OTHER INSTITUTIONS WITH A STRONG COMMITMENT TO ACCESS. THE INCREASED AUTHORIZATION FROM $120 TO $250 MILLION UNDERLINES THAT COMMITMENT MORE DRAMATICALLY THAN ANY RHETORIC FROM ME.

I WOULD HOPE THIS SUBCOMMITTEE AND THE CONGRESS WILL ACT FAVORABLY ON OUR PROPOSALS.

Mr. FORD. Dr. Moyé?

STATEMENT OF DR. ALFRED L. MOYÉ, DEPUTY COMMISSIONER FOR HIGHER AND CONTINUING EDUCATION

Dr. MOYÉ. Thank you, Mr. Chairman.

I should like to summarize some of the ways we believe the administration's proposals will allow us to better administer the title III program.

I would like to emphasize a couple of them.

The comprehensive development plan is a major change for us, and I believe will assist us greatly. The institutions will be forced into preparing their own plan to have a context for planning and a context from which they can develop their proposals, so that the activities that they are asking us to fund fit into a comprehensive plan.

This will allow us to systematically follow the programs of the institutions, and be able to measure more significantly than in the past just how well the institution is progressing.

We have also proposed eliminating some of the restrictive categories of activities. Previously all funded activities have to fall under four major categories. We are proposing broad language so that the institututions will have a great deal more flexibility in tailoring their proposals to meet their needs.

By eliminating the cooperative arrangements, we believe we have improved the program significantly also.

When the law was written, it was thought that the institutions we were helping would need assistance from other institutions or other agencies. While those arrangements have helped many institutions, our proposals would allow them but not require them.

There was in the law a waiver for Indian institutions and institutions which serve a large percentage of Spanish surnamed students. These waivers differed for the two groups. We have now uniformly dealt with this issue, and you will find that in our proposals there will be a 5-year waiver for both types of institutions.

By incorporating the thrust of the regulations in the law, I think we will also lend stability to the program. It means now that we will not have a changing pool of eligibles. It means that we will not have to go through another award cycle with endless disputes as to program purpose and endless appeals by institutions to be given special consideration in the eligibility determination process.

As a program administrator, that prospect pleases me greatly.

I would, as Dr. Berry has stated, strongly urge you to support these proposals. All of us who care about the program and the institutions it serves want to see it functioning efficiently and effectively, and the proposals you have before you will go far in eliminating obstacles to that end.

Thank you very much.

[Dr. Moyé's statement follows:]

TESTIMONY OF
DR. ALFRED L. MOYE
DEPUTY COMMISSIONER FOR HIGHER AND CONTINUING EDUCATION
U.S. OFFICE OF EDUCATION

I SHOULD LIKE TO SUMMARIZE VERY BRIEFLY A FEW OF THE WAYS IN WHICH THE ADMINISTRATION'S PROPOSAL WILL ALLOW US TO BETTER ADMINISTER THE TITLE III PROGRAM.

THE BILL REQUIRES THAT TITLE III APPLICANTS PREPARE A COMPREHENSIVE DEVELOPMENT PLAN AS PART OF THEIR APPLICATION. THIS WILL INSURE THAT ACTIVITIES UNDERTAKEN WITH THE FUNDING WILL FIT INTO AN OVERALL STRATEGY FOR INSTITUTIONAL GROWTH AND IMPROVEMENT. AS PART OF SUCH A STRATEGY, THE IMPACT OF TITLE III FUNDING WILL BE MAXIMIZED. THE PLAN WILL ALSO INCLUDE MEASURABLE OBJECTIVES WHICH WILL BE EXCEEDINGLY HELPFUL IN MONITORING AND EVALUATING AN INSTITUTION'S PROGRAMS.

WHEREAS THE CURRENT LAW LISTS FOUR TYPES OF ACTIVITIES WHICH MAY BE UNDERTAKEN WITH THE FUNDING, OUR PROPOSAL WOULD ELIMINATE THESE CATEGORIES AND SUBSTITUTE BROADER LANGUAGE WHICH WILL GIVE INSTITUTIONS MORE FLEXIBILITY IN TAILORING THEIR PROPOSALS TO THEIR SPECIFIC NEEDS AND CIRCUMSTANCES.

THE BILL WOULD ELIMINATE THE PROVISION IN THE CURRENT LAW REQUIRING COOPERATIVE ARRANGEMENTS. WHILE THE ORIGINAL INTENT WAS NO DOUBT BASED ON THE BELIEF THAT THESE POOR STRUGGLING INSTITUTIONS COULD USE ASSISTANCE FROM ANY BIG BROTHER THEY COULD FIND, WE FIND NOW THAT WHILE SUCH ARRANGEMENTS MAY STILL BE DESIRABLE IN SOME CIRCUMSTANCES, IN OTHERS, ARTIFICIAL ARRANGEMENTS ARE ENTERED INTO JUST TO MEET THE LETTER OF THE LAW. WE BELIEVE IT IS MORE DESIRABLE TO MAKE COOPERATIVE ARRANGEMENTS OPTIONAL. A SINGLE INSTITUTION MAY, FOR EXAMPLE, SEEK SUCH ASSISTANCE IN ACCOMPLISHING ONE OF ITS GRANT ACTIVITIES, AND NOT ANOTHER.

WHILE THE LAW CURRENTLY PROVIDES WAIVERS FOR INDIAN SCHOOLS AND THOSE SERVING A LARGE POPULATION OF SPANISH SURNAME STUDENTS, WE ARE MAKING THESE WAIVERS UNIFORM TO SIMPLIFY THEIR ADMINISTRATION.

I NEED NOT POINT OUT TO YOU THAT THE INCREASED AUTHORIZATION LEVEL WILL PERMIT US TO ASSIST MORE DEVELOPING INSTITUTIONS AND TO MEET MORE OF THEIR NEEDS. AS ONE COMMITTED DEEPLY TO THIS PROGRAM, THAT PROSPECT PLEASES ME IMMENSELY.

INCORPORATING THE THRUST OF THE NEW REGULATIONS IN THE LAW WILL LEND STABILITY TO THE PROGRAM. IT MEANS THAT WE WILL NOT HAVE A CHANGING POOL OF ELIGIBLES. IT MEANS THAT WE WILL NOT HAVE TO GO THROUGH ANOTHER AWARDS CYCLE WITH ENDLESS DISPUTES AS TO PROGRAM PURPOSE AND ENDLESS APPEALS TO THE PROCESS. AS A PROGRAM ADMINISTRATOR, THAT PROSPECT PLEASES ME GREATLY.

I WOULD, AS DR. BERRY HAS, STRONGLY URGE YOU TO SUPPORT THESE PROPOSALS. ALL OF US WHO CARE ABOUT THE PROGRAM AND THE INSTITUTIONS IT SERVES, WANT TO SEE IT FUNCTIONING EFFICIENTLY AND EFFECTIVELY. THE PROPOSALS YOU HAVE BEFORE YOU WILL GO FAR IN ELIMINATING OBSTACLES TO THAT END.

Mr. Ford. Thank you.

Dr. Francis?

STATEMENT OF DR. NORMAN FRANCIS, PRESIDENT, XAVIER UNIVERSITY, REPRESENTING THE NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION

Dr. Francis. Mr. Chairman and members of the Subcommittee on Postsecondary Education, my name is Norman Francis.

I am president of Xavier University in New Orleans, La.

Today I appear before you on behalf of the National Association for Equal Opportunity in Higher Education, NAFEO, the membership organization of 107 historically and predominantly black colleges.

These colleges enroll more than 200,000 students and continue to account for approximately one-half of the black recipients of baccalaureate degrees.

I especially thank you, Mr. Chairman, and I am particularly pleased to have this opportunity to comment on the administration's proposals because, in general, we applaud and commend the administration for its recommendations for amendments.

If adopted, its proposals would strengthen and clarify the legislation, would make title III an appropriate companion piece to the modernized student aid legislation that Congress has already enacted, and would encourage developing institutions to move toward self-sufficiency.

Now, four brief comments on several aspects of those recommendations.

One, on program authorization, we enthusiastically endorse that aspect of the administration's definition that a developing institution is one whose enrollment, "includes a substantial number of students from low-income families." The adoption of this definition will clear up confusion that has existed up to this point in defining a developing institution.

It would serve the interest of the institutions by increasing their self-sufficiency and society's by strengthening institutions to serve the broader social cause of contributing to the higher education resources of the Nation.

We consider it sound policy to assist institutions under the title III program on the basis of the large number of low-income and economically deprived students whom they serve.

NAFEO institutions, with large numbers of low-income students, have long contended that the productive capacity our institutions have developed to pour large numbers of students with low-income backgrounds into society with baccalaureate and graduate degrees is as important to our society as the technological capacity of traditional research activities.

We have contended that Federal support of these colleges produces potential solutions to the long run benefit of America that are as important as those we seek in heart and cancer research, and I might mention energy.

Although these colleges and universities comprise less than 5 percent of America's institutions of higher education, they enroll approximately one-quarter of all blacks attending college and, as I noted earlier, award almost half of the baccalaureate degrees earned by blacks nationally.

What NAFEO institutions have done for minority blacks, other institutions with Federal help have done for Indians, Hispanics and economically deprived whites. We know that large numbers of these institutions are similarly situated, in that they are rendering invaluable services to society by serving large numbers of low-income and disadvantaged students.

However, they are burdened financially largely because they assume the burden of assisting large numbers of low income and disadvantaged students. It is, accordingly, proper for government to recognize these institutions as developing because of the clientele whom they serve. We, accordingly, applaud defining a developing institution as one whose enrollment includes a substantial number of students from low-income families.

We would not object to including in the program authorization a definition of a developing institution based on average expenditures per full-time equivalent student, if this provision is given a relatively low weight in comparison to the criterion of serving substantial numbers of students from low-income families, or if clear recognition is given to the fact that some institutions have a high average expenditure because they are serving low-income students.

With respect to appropriations, we are pleased with the administration's proposal that the authorization level be $250 million for each year ending prior to October 1, 1985.

We endorse an appropriation not to exceed 24 percent to developing institutions that are junior or community colleges. We favor an appropriation of $50 million to be authorized for each fiscal year ending prior to October 1, 1985, for challenge grants for developing institutions.

With respect to eligibility for assistance, we concur in defining eligible institutions as those that are legally authorized within a State to conduct an educational program for which a bachelor's degree is obtainable, or which is a junior or community college as defined in the proposed amendment.

On purpose and duration of grants, we recognize that institutions do differ. Accordingly, we favorably view the proposal that there be two funding strategies; short term, renewable grants up to 3 years, or longer term terminal grants for 4 to 7 years. The choice, however, would be left to the institutions.

With respect to applications for assistance, we consider it desirable to require applicants to present a comprehensive development plan or at least a description as to how it will develop a plan to strengthen academic quality and institutional management, and to provide for institutional self-sufficiency and growth.

We also agree that the funding should be supplemental to the extent practical and not a substitute for existing funding. We agree also to mechanisms for evaluating and exercising fiscal control and funding accountability.

As to challenge grants, we fully support the proposed separate authorization of an annual appropriation of $50 million that would stimulate a partnership between the Federal Government and the States in the case of public institutions, and the Federal Government and the private sector in the case of private institutions in moving developing institutions toward self-sufficiency.

We believe the public interest requires that all parties with a stake in the survival and future development of these institutions accept a fair share of the responsibility for their encouragement and support.

With respect to the Advisory Council on Developing Institutions, we are particularly pleased to note that the new proposed legislation continues, from the old authorization, the Advisory Council on Developing Institutions. This Council provides a mechanism for citizens from throughout the country to make many recommendations concerning the operation of the title III program.

This becomes even more important as we take another step toward bringing the title III program in consonance with the needs based financial aid programs to serve students from economically deprived families.

With respect to limitations, we agree with the limitations that appropriations should not violate our separation of State and church principles and should not be inconsistent with our State desegregation efforts and, in summary, we do applaud the administration's proposal for the reauthorization of title III.

We would welcome the elimination of concepts such as, "not in the current stream," and, "struggling," which are confusing and, to many, demeaning.

We believe that the new proposed legislation recognizes that large numbers of low-income students who are currently outside the mainstream of our society must be brought into that mainstream to strengthen America.

Colleges that develop these low-income students into resourceful and productive members of society are performing national service and should be assisted by society in fulfilling these developmental functions.

I again thank you for the opportunity to comment on and to commend to you the proposed amendments.

[Dr. Francis' statement follows:]

STATEMENT ON REAUTHORIZATION OF TITLE III OF THE HIGHER EDUCATION ACT OF 1965, AS AMENDED

TO

SUBCOMMITTEE ON POSTSECONDARY EDUCATION
(COMMITTEE ON EDUCATION AND LABOR)

By

Dr. Norman Francis
President
Xavier University

For

The National Association For Equal Opportunity
in Higher Education (NAFEO)

July 25, 1979

My name is Norman Francis. I am President of Xavier University in New Orleans, Louisiana. Today, I appear before you on behalf of the National Association For Equal Opportunity in Higher Education (NAFEO), the membership organization of 107 historically and predominantly black colleges. These colleges enroll more than 200,000 students and continue to account for approximately one-half of the black recipients of baccalaureate degrees. I especially thank you, Mr. Chairman, for this opportunity to comment on the Administration's proposal to amend Title III of the Higher Education Act of 1965.

Virtually all our institutions have been among the more than 700 institutions that have benefitted from Title III. Studies consistently show the fact that the academic quality, administrative capacity, and student services of our institutions have been significantly strengthened by Title III funds, consistent with the objectives of the program.

I am particularly pleased to have this opportunity to comment on the Administration's proposals because, in general, we applaud and commend the Administration for its recommendations for amendments. If adopted, its proposals would strengthen and clarify the legislation, would make Title III an appropriate companion piece to the modernized student aid legislation that Congress has already enacted, and would encourage developing institutions to move toward self-sufficiency.

Program Authorization

We enthusiastically endorse that aspect of the Administration's definition that a developing institution is one whose enrollment" includes a substantial number of students from low-income families." The adoption of this definition will clear up confusion that has existed up to this point in defining a developing institution. It would serve the interest of the institutions by increasing their self-sufficiency, and society's by strengthening institutions to serve the broader social cause of contributing to the higher education resources of the nation. We consider it sound policy to assist institutions under the Title III Program on the basis of the large number of low-income and economically deprived students whom they serve. NAFEO institutions, with large numbers of low-income students, have long contended that the productive capacity our institutions have developed to pour large numbers of students with low-income backgrounds into society with baccalaureate and graduate degrees is as important to our society as the technological capacity of traditional research activities. We have contended that Federal support of these colleges produces potential solutions to the long run benefit of America that are as important as those we seek in heart and cancer research. We have pointed to a solid record of accomplishments in fulfilling society's missions. Historically, the historically black colleges have produced over 70 percent of all the black graduates of colleges since the inception of this nation. In the future, they will produce in excess of 300,000 college graduates every ten years.

In the 1860's and 1870's, when the Freedman's Bureau was stimulating black education, the colleges founded for Black Americans responded. Their initial and continuing commitment literally created a black leadership class while almost all others left the field of black higher education from the 1870's to the mid-1960's.

In World War I, World War II, and the Korean Conflict, the black colleges again responded to a national need, in cooperation with the Federal Government through their ROTC units, which laid the foundation for the modern black officers in the armed forces. Now, 75 percent of the officers are graduates of these colleges, including the late General Daniel "Chappie" James and Admiral Samuel Gravely, two of the highest ranking officers in the military.

In the 1960's, when the Federal Government commenced its support for equalizing educational opportunities for Black Americans, the black colleges again responded by increasing their capacities, and modernizing their programs to produce almost twice as many graduates as before. Without that, even in 1979, we would have half as many black college graduates in America.

Historically black colleges (private and public) are a vital national resource. Although these colleges and universities comprise less than 5 percent of America's institutions of higher education, they enroll approximately one-quarter of all Blacks attending college and, as I noted earlier, award almost half of the baccalaureate degrees earned by Blacks nationally.

Seventy-five percent of Black Americans with Ph.D. degrees are products of the historically black colleges as are 75 percent of black military officers, 80 percent of black Federal judges and 85 percent of black physicians.

Black colleges were founded to serve those who had been severely crippled by over 200 years of dehumanizing slavery and chronic poverty. The main goal of the historically black colleges continues to be the elevation of disadvantaged youth to creative citizenship.

These developments have been possible because of the commitment of these schools to educating Black Americans, and the design of Federal programs that made it possible for historically black colleges to serve more students with better programs. What NAFEO institutions have done for minority Blacks, other institutions with Federal help have done for Indians, Hispanics and economically deprived Whites. We know that large numbers of these institutions are similarly situated, in that they are rendering invaluable services to society by serving large numbers of low-income and disadvantaged students. However, they are burdened financially largely because they assume the burden of assisting large numbers of low-income and disadvantaged students. It is, accordingly, proper for government to recognize these institutions as developing because of the clientele whom they serve. We, accordingly, applaud defining a developing institution as one whose enrollment includes a substantial number of students from low-income families.

We would not object to including in the program authorization a definition of a developing institution based on average expenditures per full-time equivalent student, if this provision is given a relatively low weight in comparison to the criterion of serving substantial numbers of students from low-income families, or if clear recognition is given to the fact that some institutions have a high average expenditure because they are serving low-income students.

Appropriations Authorized

We are pleased with the Administration's proposal that the authorization level be $250 million for each year ending prior to October 1, 1985. We endorse an appropriation, not to exceed 24 percent, to developing institutions that are junior or community colleges. We favor an appropriation of $50 million to be authorized for each fiscal year ending prior to October 1, 1985 for Challenge Grants for developing institutions.

Eligibility for Assistance

We concur in defining eligible institutions as those that are legally authorized within a state to conduct an educational program for which a bachelor's degree is obtainable, or which is a junior or community college as defined in the proposed amendment.

Purpose and Duration of Grant

We recognize that institutions do differ. Accordingly, we favorably view the proposal that there be two funding strategies: short term, renewable grants up to three years; or longer term terminal grants for four to seven years. The choice, however, would be left to the institutions.

Applications for Assistance

We consider it desirable to require applicants to present a comprehensive development plan, or, at least, a description as to how it will develop a plan to strengthen academic quality, and institutional management, and to provide for institutional self-sufficiency and growth. We also agree that the funding should be supplemental to the extent practical and not a substitute for existing funding. We agree also to mechanisms for evaluating and exercising fiscal control and funding accountability. Keeping records and submitting reports are valid requirements.

Challenge Grants

We fully support the proposed separate authorization of an annual appropriation of $50 million that would stimulate a partnership between the Federal Government and the states in the case of public institutions, and the Federal Government and the private sector in the case of private institutions in moving developing institutions toward self-sufficiency. We believe the public interest requires that all parties with a stake in the survival and future development of these institutions accept a fair share of the responsibility for their encouragement and support.

Advisory Council on Developing Institutions

We are particularly pleased to note that the new proposed legislation continues, from the old authorization, the Advisory Council on Developing Institutions. This Council provides a mechanism for citizens from throughout the country to make many recommendations concerning the operation of the Title III Program. This becomes even more important as we take another step toward bringing the Title III Program in consonance with the needs-based financial aid programs to serve students from economically deprived families.

Limitations

We agree with the limitations that appropriations should not violate our separation of state and church principles and should not be inconsistent with our state desegregation efforts.

Summary

We applaud the Administration's proposal for the Reauthorization of Title III. We would welcome the elimination of concepts such as "not in the current stream" and "struggling" which are confusing and, to many, demeaning. We believe that the new proposed legislation recognizes that large numbers of low-income students who are currently outside the mainstream of our society must be brought into that mainstream - to strengthen America.

Colleges that develop these low-income students into resourceful and productive members of society are performing national service and should be assisted by society in fulfilling these developmental functions.

In the process, the Federal Government should also assist the colleges in moving toward self-sufficiency.

I again thank you for the opportunity to comment on and to commend to you the proposed amendments.

Mr. FORD. Mr. Reid?

STATEMENT OF DR. ALBAN E. REID, PRESIDENT, BERGEN COMMUNITY COLLEGE

Dr. REID. Mr. Chairman and members of the subcommittee, I am Alban Reid, president of Bergen Community College in Paramus, N.J., and for Mr. Simon's benefit, formerly president of Black Hawk College in Moline, Ill., for 11 years.

I am most pleased to be given the opportunity to comment on the Carter administration's plans for the reauthorization of title III.

In general the administration is to be commended for seeking to clarify the program definitions, eligibility criteria, and to direct the program goals toward measurable and attainable standards.

The association agrees with the Carter administration that the authorization level of $120 million should be increased, and $250 million seems to be a reasonable and desirable figure.

We support the definition of "developing" institution as outlined in the proposed section 301, because eligiblity to participate in the program would depend upon two measurable criteria and not the subjective opinions of the OE program personnel.

However, we agree with some of the critics of this proposal that the enrollment of a substantial number of students from low-income families and low average general fund expenditures per full-time equivalent student are factors that are not necessarily correlated with being a developing institution.

We feel that FTE cost is frequently related to the geographical region and also relates to the size of the institution. A very large institution might very well effect a small FTE general fund ratio.

We commend the administration for allowing possible exceptions in meeting the eligibility criteria for institutions on or near Indian reservations and for those institutions which increase opportunities for postsecondary education for Spanish-speaking people.

We support the proposed changes in the duration of grants, the option of applying either for a 3 year renewal grant or a maximum 7-year grant.

This will foster long-range planning that is very necessary for the future. The challenge grant program is going to encourage States to aid weak public institutions, especially in those States which operated dual systems of higher education. It is a good investment of Federal dollars, as is encouraging private colleges to take some responsibility for their own futures and to work toward self sufficiency.

We do, however, differ with the administration over two significant points:

First, the maintenance of only a 24-percent set-aside for the 2-year colleges, and second, the deletion of all references to eligibility of consortia and cooperating agencies, and we would question Secretary Berry as to why the legislative language makes no mention of cooperative measures, if indeed these are still possible options.

We would hope some attention would be given to that issue.

We are grateful that there has been a set-aside, so we urge the subcommittee for 2-year colleges which collectively enroll about 40 percent of all undergraduate and 56 percent of all minority students in the country to increase that set-aside to 35 percent.

We feel if minorities are to be provided the opportunities for higher education in substantial numbers, the community colleges must provide many of these opportunities and that providing the set-aside recommended or suggested would demonstrate the commitment of the administration and the Congress to see that the needs of minorities are substantially met.

We also urge the subcommittee to seek clarification from the administration as to the prospective eligibility of consortia and what role, if any, cooperating agencies are to play under the proposed plan.

I have already commented on Secretary Berry's mention of this issue.

We agree and acknowledge that some cooperative agreements have not worked well; on the other hand, other consortia such as the Action consortium, of 106 community and junior colleges, have been model programs of great advantage to the participating institutions.

We recommend that eligible institutions, if they so desire, continue to be allowed to pool their resources and form consortia in respect to meeting their measurable objectives in the title III program. We also recommend that the Secretary continue to allow developing institutions the help of an assisting agency if indeed the institution or consortium of institutions deems it necessary and/or helpful.

Last, we ask the subcommittee to look closely at the Advisory Council on Developing Institutions. This is one of the few advisory councils that the administration leaves intact.

If the subcomittee deems it desirable to continue the life of this body, we ask that community and junior colleges be represented on that council in proportion to their set-aside in the legislation. Since the inception of the title III program in 1965, community and junior colleges have had little to no representation on the Advisory Council on Developing Institutions.

We feel that the lack of adequate 2-year college representation on the Advisory Council and their apparent lack of knowledge about our sector and its contribution to the Nation and to minority Americans in general, has worked to the disservice of 2-year colleges and to the millions of students they serve.

Thank you for your attention.

I would be pleased to answer any questions.

[Dr. Reid's statement follows:]

Testimony

of the

American Association of Community and Junior Colleges

on

THE CARTER ADMINISTRATION PROPOSAL TO REAUTHORIZE TITLE III - AID TO DEVELOPING INSTITUTIONS

Presented by

Dr. Alban E. Reid
President, Bergen Community College
Chairman of the AACJC Commission of Governmental Affairs

for the

Subcommittee on Postsecondary Education
Committee on Education and Labor
U.S. HOUSE OF REPRESENTATIVES

July 25, 1979

Mr. Chairman and Members of the Subcommittee:

I am Alban E. Reid, President of Bergen Community College in Paramus, New Jersey, and Chairman of the Commission on Governmental Affairs of the American Association of Community and Junior Colleges. I am most pleased to comment on the Carter Administration's plans for the reauthorization of Title III.

In general the Administration is to be commended for seeking to clarify the program definitions, eligibility criteria, and to direct the program goals toward measurable and attainable standards. The American Association of Community and Junior Colleges agrees with the Carter Administration that the authorization level of $120 million should be increased, and $250 million seems to be a reasonable and desirable figure. We support the definition of "developing" institution as outlined in the proposed Sec. 301(b)(1)(2), because eligibility to participate in the program would depend upon two measurable criteria and not the subjective opinions of the O.E. program personnel. However, we agree with some of the critics of this proposal that the enrollment of a substantial number of students from low-income families and low average general fund expenditures per full-time equivalent student are factors that are not necessarily correlated with being a "developing institution".

We commend the Administration for allowing possible exceptions in meeting the eligibility criteria for institutions on or near Indian reservations and for those institutions which increase opportunities for postsecondary education for Spanish speaking people. We support the proposed changes in the duration of grants. The multi-year concept is desirable from the standpoint of promoting long-range planning, and yet, seven years does seem to be long enough to have achieved some measurable objectives. We agree that eligible institutions should be able to set forth a comprehensive development plan to strengthen the quality of their academic programs and the management of their fiscal and plant operations.

The idea of "Challenge Grants" is rather novel and to be applauded. Encouraging states to aid weak public institutions, especially in those states which operated dual systems of higher education, is a good investment of federal dollars, as is encouraging private colleges to take some responsibility for their own futures and to work toward self-sufficiency.

However, the American Association of Community and Junior Colleges parts company with the Administration over two significant points: (1) the maintenance of only a 24 percent setaside for the two-year colleges and (2) the deletion of all references to eligibility of consortia and cooperating agencies.

Under the Administration's bill community and junior colleges which enroll approximately 56 percent of all minority students (see Attachment A) are to be relegated to only 24 percent of the funds for Title III. We appreciate the fact that a setaside for community colleges was retained in the legislation at all.

Without any setaside, most community and junior colleges would probably be by-passed completely from participating in Title III. We urge the Subcommittee to retain the setaside for two-year colleges which collectively enroll about 40 percent of all undergraduates and 56 percent of all minority students, and increase that setaside to 35 percent.

We also urge the Subcommittee to seek clarification from the Administration as to the prospective eligibility of consortia and what role, if any, cooperating agencies are to play under the proposed plan. As AACJC reads the new legislative proposal, requirements for cooperating agencies would be deleted, and only institutions, and not groups of institutions with similar problems, would be eligible to participate in Title III. While some cooperative agreements have not worked well, others such as the ACCTion consortium, of 200 community and junior colleges, have been model programs of great advantage to the participating institutions. The AACJC recommends that eligible institutions, if they so desire, continue to be allowed to pool their resources and form consortia in respect to meeting their measurable objectives in the Title III program. We also recommend that the Commissioner (or Secretary of Education) continue to allow developing institutions the help of an assisting agency if indeed the institution or consortium of institutions deems it necessary and/or helpful.

Lastly, we ask the Subcommittee to look closely at the "Advisory Council on Developing Institutions". This is one of the few advisory councils that the Administration leaves intact. If the Subcommittee deems it desirable to continue the life of this body, we ask that community and junior colleges be represented on that council in proportion to their setaside in the legislation. Since the inception of the Title III program in 1965, community and junior colleges have had little to no representation on the Advisory Council on Developing Institutions.

We feel that the lack of adequate two-year college representation on the advisory council and their apparent lack of knowledge about our sector and its contribution to the nation and to minority Americans in general, has worked to the disservice of two-year colleges and to the millions of students they serve.

Thank you for your attention. I would be pleased to answer any questions.

ATTACHMENT A

PERCENTAGE OF TOTAL POSTSECONDARY UNDERGRADUATE ENROLLMENT BY RACIAL CHARACTERISTICS, SEX, FULL-TIME AND PART-TIME ATTENDING TWO-YEAR COLLEGES IN 1976*

	Non-Res. Alien	Black	Amer. Indian or Alaskan Native	Asian	Hispanics	Minority Subtotals
Men						
Full-time	25	40	55	37	48	40
Part-time	74	97	99	99	65	87
Sub-total	34	56	72	57	54	54
Women						
Full-time	29	38	46	31	46	39
Part-time	79	97	99	95	95	96
Sub-total	43	58	70	53	64	59
All full-time	26	39	50	34	47	40
All part-time	76	97	99	97	79	91
Total	36	58	71	55	59	56

*Source: American Association of Community and Junior Colleges 1979 and HEGIS data 1976 and 1977

Mr. **Ford**. Thank you.
Mr. Rivera?

STATEMENT OF DR. ALVIN RIVERA, NATIONAL HISPANIC HIGHER EDUCATION COALITION

Dr. **Rivera**. Thank you very much, Mr. Chairman.

I will serve as the spokesperson for the Hispanic Higher Education Coalition on this topic.

I will keep my remarks only to the administration testimony.

I wish to react to the administration's proposals on six specific areas; the definition of purpose, the community colleges set-aside, the long range planning, the duration of the grants, the concept of a challenge grants and the authorization level.

First of all, I would like to talk about the definition of purpose.

It is the perception of the coalition that the definition is somewhat narrow.

We feel that the proposal should specifically state that the program will serve students who come from environments in which the dominant language is a language other than English and make some specific references to serving Hispanics.

The rationale for this suggestion is basically that the title III program has had a history of low funding of institutions that accommodate large numbers of Spanish speaking. We feel that this should change.

Second, recently there was a letter sent to President Carter dated March 14, 1979, and it was signed by seven U.S. Senators. Included were Domenici, DeConcini, Hart, Hayakawa, Schmitt, Tower, and Goldwater. If you will permit me, I would like to read briefly from that letter.

> During the last funding cycle strong evidence of discrimination by the Department of Health, Education, and Welfare against Hispanic institutions in the title III developing institution program was uncovered.
>
> The recent title III difficulties, coupled with your latest policy directive with respect to black institutions, will intensify the gap between Federal education support for black minority students and support for Hispanic and other nonblack minority groups.
>
> These actions, by encouraging this disparate treatment, will serve to condone HEW's past insensitivity to the educational needs of Hispanics and other minorities, and will absolve that agency of any responsibility to correct these inequities and upgrade its commitment to meeting the educational needs of nonblack minority groups.
>
> For this reason, we feel it is important to include the definitions suggested by the coalition, to insure that future discriminatory activities do not take place against any Hispanic or nonblack group in the administration of title III funds.

The second area is the community college set-aside. The coalition disagrees once again with the administration proposal of only a 24-percent set-aside. The coalition recommends specifically a 40 percent set-aside for community colleges. Justification for this recommendation is that over 50 percent of all Hispanic students start in community colleges.

Many low-income people attend community colleges and simply cannot afford to attend more costly institutions.

Third, long-range planning, the coalition supports the idea of applicants developing comprehensive plans as a part of their title III proposal. However, we question why it would require a "very small 1-year grant" to develop such a plan.

The 1202 Commissions, it would seem to me and would seem to the coalition, should have already developed such plans. For that reason, it would be incumbent upon public and private institutions to work more closely with 1202 Commissions.

The duration of grants, you have heard the administration's proposal of 1- to 3-year grants, which would allow the applicant to reapply; and, the second option was one large grant of 7 years which would not allow the applicant to reapply.

The coalition perceives this proposal as being ill conceived. The proposal in this specific instance appears to resemble very much the former administrative organization of the basic institutional development program and the advanced institutional development program.

Let me specify what I mean here. The basic, BIDP program's called for annual funding, while the AIDP program called for 3- to 5-year funding, with usually much larger grants.

Hispanic organizations recognize, this process has been used in the past more as a screening mechanism to screen out many institutions that serve largely Spanish speaking populations.

However, we would suggest that applicants be allowed to compete for grants for no less than 2 years or more than 5 years depending on the applicant's need.

The specification for 2 years of funding is to avoid the complex administrative problems involved in annual funding.

Second, we feel that the renewal of a grant should rest on the merits of each institution. Therefore, we disagree with the administration's position of prohibiting institutions from renewing their title III grants.

Third, the coalition supports the requirement of institutional applicants to specify measurable objectives to be achieved each year in order to continue receiving funding.

Challenge grants. The coalition specifically feels that this is a good opportunity to enroll more Hispanics in graduate schools and professional schools.

As many of the people in the administration and elsewhere know, Hispanics are underrepresented in virtually all of the professional career fields.

Once again, the coalition would recommend that the professional schools attract Hispanic students or enroll students who come from enrollments in which the dominant language is a language other than English and be given a priority as a criteria for funding in this area.

Finally, the coalition conditionally supports the administration's proposal. While the title III program has operated over the past 13 years, Hispanic participation has been limited. Unless the current administration proposal is amended to specifically address this problem, the coalition at this time would be hard pressed to support its proposals.

The coalition strongly recommends revising the purpose of the title III program as suggested earlier, and increase to 40 percent a set-aside for 2-year colleges.

Further, the coalition feels that there must be a clarification of the long-range planning grants and a revision of the duration of grants as proposed.

Also, we feel that incentive language in the challenge grants proposal to encourage institutions to attract Hispanic students to graduate programs and professional schools would be desirable.

Thank you very much, Mr. Chairman.

[Dr. Rivera's statement follows:]

Hispanic Higher Education Coalition 1E

ASPIRA of America
El Congreso Nacional de Asuntos Colegiales
League of United Latin American Citizens
Mexican American Legal Defense & Educational Fund
Mexican American Women's National Association
National Association for Equal Educational Opportunities
National Council de La Raza
National IMAGE, Inc.
Puerto Rican Legal Defense & Education Fund, Inc.
Secretariat for Hispanic Affairs U.S. Catholic Conference
Spanish American League Against Discrimination

SECRETARIAT
Mexican American Legal Defense & Educational Fund (MALDEF)
1411 K Street, N.W.
Suite 300
Washington, D.C. 20005
(202) 393-5111

Testimony on the Reauthorization of the Higher Education Act of 1965: Title III Developing Institutions

Presented to

The Subcommittee on Postsecondary Education
of the House Committee on Education and Labor

By:

Dr. Alvin Rivera
For the Hispanic Higher Education Coalition

July 25, 1979

My name is Alvin Rivera and I have been designated as the spokesperson for the Hispanic Higher Education Coalition on this topic of Developing Institutions. Since the Coalition provided testimony on this topic in March of this year, my remarks will be confined to the Administration's proposal on Developing Institutions.

The Hispanic Higher Education Coalition (HHEC) is comprised of individuals representing 11 national Hispanic organizations interested in improving educational conditions for their constituencies. The HHEC has as its central purpose to increase participation of Hispanic populations in higher education in the Nation. The 11 national organiztions which comprise the HHEC are:

ASPIRA of America
El Congreso Nacional de Asuntos Colegiales
League of United Latin American Citizens
Mexican American Legal Defense and Educational Fund
Mexican American Women's National Association
National Association for Equal Education Opportunities
National Council de La Raza
National IMAGE, Inc.
Puerto Rican Legal Defense and Education Fund, Inc.
Secretariat for Hispanic Affairs, U.S. Catholic Conference
Spanish American League Against Discrimination

I will discuss our reactions to the Administration's proposal of 1) Definition of Purpose; 2) Community Colleges; 3) Long range planning; 4) Duration of Grants; 5) The concept of Challenge grants, and 6) the Authorization level.

Definition of Purpose

The administration proposed that "the new purpose would be to strengthen institutions which enroll large numbers of students from low-income families, which lack resources, and which are taking steps to improve their chances for survival." The Coalition feels that this definition is too narrow. It is necessary to include in the definition of purpose that the program will serve students who come from environments in which the dominate language is a language other than English.

The Coalition feels that funding of Hispanic programs in Title III in the past has been embarrassingly low. A letter (attached) dated March 14, 1979 to President Carter and signed by seven U.S. Senators (Domenici, DeConcini, Hart, Hayakawa, Schmitt, Tower, and Goldwater) stated:

> During the last funding cycle strong evidence of discrimination by the Department of Health, Education and Welfare against Hispanic institutions in the Title III Developing Institutions Program was uncovered....... The recent Title III difficulties coupled with your latest policy directive with respect to Black institutions, will intensify the gap between federal education support for Black minority students and support for Hispanic and other non-Black minority groups. These actions, by encouraging this disparate treatment, will serve to condone HEW's past insensitivity to the educational needs of Hispanics and other minorities, and will absolve that agency of any responsibility to correct these inequities and upgrade its commitment to meeting the educational needs of non-Black minority groups.

For these reasons, it is important to include the definition suggested by the Coalition to ensure that future discriminatory activities do not take place against any Hispanic or non-Black groups in the administration of Title III.

Community Colleges

The Coalition recommends that the Administration's proposal of a 24% set-aside for community colleges be increased to 40 percent. The Coalition feels that the 24% set-aside is not realistic given the large enrollments of low income and Hispanic students in community colleges. Therefore, the Coalition recommends a 40 percent set-aside for funding community colleges.

Long Range Planning

The Administration proposed that applicants prepare a comprehensive development plan as part of their application for Title III grants. This is indeed a good idea, but why would it require "very small, one-year grants" to develop such a plan? A need for clarification of this aspect of the long range plan is necessary. Such institutional long range plans, the Coalition believes, should be available now through the 1202 Commissions that exist in most of the states. In any event, the individual institutions should develop close cooperation with state officials in the development of their long range plans.

Duration of the Grants

The Administration proposed that grants be awarded: 1) for one to three years and to allow applicants to re-apply for grants; and 2) for a larger one-time grant for up to seven years; these applicants may not re-apply for grants.

The Coalition believes this proposal is ill-conceived. Unfortunately, this proposal resembles the former patterns of administering funds through the recently revised AIDP and BIDP structures. The Coalition recommends that applicants for Title III be allowed to compete for development grants for no less than two years nor more than five years, depending on the applicant's need. Further, the applicant's situation must be re-evaluated at the end of the applicant's funding cycle to determine if additional funding is warranted.

The Coalition disagrees with the proposal of prohibiting institutions from renewing their grants. Renewal of a grant should rest on the merits of each institution's proposal. Finally, the Coalition supports the requirement of institutions to specify measurable objectives to be achieved each year in order to continue to receive funding.

Challenge Grants

The Administration proposed that these grants would offer funding on a 50-50 (Federal-State) matching basis to the same eligible institutions. These grants, in addition to possibly generating additional state and institutional funds, present a unique opportunity to support the career development of Hispanics and other underserved populations in graduate programs and professional schools. The Coalition wishes to call attention to the lack of Hispanics in virtually all professional career fields. For this reason, the Coalition strongly recommends in this section that graduate programs and professional schools that enroll students who come from environments in which the dominate language is a language other than English be given priority as a criterion for funding.

Authorization Level

The Administration proposed a one-quarter billion dollar authorization level for the Title III program. The coalition conditionally supports this suggested authorization level. While the Title III program has operated over the past 13 years, Hispanic participation has been limited. Unless the Administration's proposal is amended to specifically address that problem, the Coalition-at this time - would be hard pressed to support it. The Coalition strongly recommends revising the purpose as suggested earlier and increasing to 40 percent a set-aside for two year colleges. Further, we feel that there must be a clarification on long range planning and a revision of the duration of grants. We also recommend writing incentive language in the challenge grants proposal to encourage institutions to attract Hispanic students to graduate programs and professional schools.

On behalf of the Hispanic Higher Education Coalition, I wish to thank you for this opportunity to provide our views on this important topic.

United States Senate
WASHINGTON, D.C. 20510

March 14, 1979

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

We would like to take this opportunity to comment on your January 17, 1979 Memorandum to Heads of Executive Agencies and Departments, in which you announce the intention of your Administration to upgrade its commitment to Black institutions of higher education. While we have no objection per se, to this new directive, we are extremely concerned that an exclusive emphasis on Black colleges and universities essentially ignores the higher education needs of Hispanics and other non-Black minority groups.

During the last funding cycle strong evidence of discrimination by the Department of Health, Education and Welfare against Hispanic institutions in the Title III Developing Institutions Program was uncovered. As you know, the Congress is presently reviewing the recently completed GAO report on Title III with a view toward determining the exact extent and scope of discrimination within the program.

The recent Title III difficulties, coupled with your latest policy directive with respect to Black institutions, will intensify the gap between federal education support for Black minority students and support for Hispanic and other non-Black minority groups. These actions, by encouraging this disparate treatment, will serve to condone HEW's past insensitivity to the educational needs of Hispanics and other minorities, and will absolve that agency of any responsibility to correct these inequities and upgrade its commitment to meeting the educational needs of non-Black minority groups.

The President
March 1979
Page 2

We thank you for your attention to this matter, and urge you to carefully consider the full implications of your newly announced policy on the non-Black institutions of higher education. Equity of effort in upgrading the commitment of the Federal Government to all minority institutions is of utmost importance.

Very truly yours,

Pete V. Domenici

Harrison Schmitt

Dennis DeConcini

John Tower

Gary Hart

Barry Goldwater

S.I. Hayakawa

Mr. **Ford**. Thank you.

We will begin questions.

I would ask if any members of the panel would like to add to what they have already said.

Dr. **Berry**. Let me comment, if I may, Mr. Chairman, briefly on the rationale of our title III proposals to make sure that they complement the need-based aspects of our student aid proposals. The whole idea is that if any particular race or ethnic group, be they white, black, Hispanic, or whatever, is low income and disadvantaged and if an institution has large numbers of such students, it would fall into the category, at least on one of the criteria, of being a developing institution and we would serve it.

We are interested in those institutions, not because they happen to have large numbers of black students, white students, or whatever, but because the students are the low income, who have needs, and, therefore, this program would complement the student aid programs.

The other point I would make is that, arguably, if one feels that there is some disparity in the funding pattern in terms of the percentage that goes to various ethnic groups, one might claim that there is disparity between the amount given to black institutions and the amount given to white institutions, or that the numbers are pretty much similar.

The percentage figures that we have and which we can make available would indicate that about the same percentage of applications submitted and recommended for funding by ethnic groups are found among Hispanics, blacks, and whites. There are some differences but they are not significant. I think if one believes in the notion that the criteria of low income is a valid criteria, that one would support the proposal.

If we move to set-asides for different groups, I suppose we would have five or six different set-asides for every group one can imagine. I am not sure that is the way to go.

Mr. FORD. Maybe I can get into this.

Mr. Rivera, on page 14 in talking about the administration challenge grants, your amendment is very consistent with the position of the organizations you represent.

On page 4, you say:

> For this reason the coalition strongly recommends this section, that graduate programs in professional schools that enroll students who come from environments in which the dominant language is a language other than English be given priority criteria for funding.

When you talk about graduate schools in that language as distinguished from undergraduate education, it starts to present a different picture.

I have the suspicion that most of the prestigious graduate schools in this country would have large numbers or relatively large numbers of people from foreign countries who come here expressly for graduate education who would in fact meet the criteria that you are suggesting by coming from environments in which the dominant language is a language other than English.

A very substantial number, for example, apply in California, from Asiatic countries. North Carolina is loaded with Latin Americans.

How do you get around that sort of problem when you talk about graduate education in terms of people from non-English-speaking backgrounds?

It's our graduate schools that are the most restrictive and probably have the largest percentage of truly foreign students, foreign in the sense that they come here expressly for educational purposes, and at least that is what they say when they come.

They are attracted by our graduate schools from countries where English is not the principal language.

Dr. RIVERA. That is a matter of——

Mr. FORD. You are talking about American students, I take it, coming out of that background as we do in elementary and secondary programs and the bilingual programs in a concept that we deal with very well at the elementary and secondary level.

When you get to graduate schools, it seems to me that that no longer is a definition that has the same meaning as it does when you are talking about the people living in Los Angeles elementary and secondary level.

Dr. RIVERA. Yes, sir, Mr. Chairman, that is certainly a matter that we have discussed at some length. We feel for that reason it is necessary to put language into the law that would specify Hispanics who are residents of this country. I think you emphasize an important concern in higher education; frankly, there is not a comparable kind of package in higher education for Hispanics as there is in elementary-secondary education where there is specifically the bilingual education of Hispanic populations.

The coalition is keenly aware of this, and we see title III as a potential mechanism of being able to address institutions that are trying to service the needs of Hispanic Americans. We even entertain the idea and possibility of a first generation—Hispanics who are not college graduates—some kind of formula might be worked out in that capacity. It is a matter that we did discuss.

Dr. **Berry**. On the issue of funding institutions, Hispanic institutions or institutions with large percentages of Hispanics, Mr. Rivera, who came here from the University of Colorado and worked with me for a while before he went elsewhere, knows that universities like that have a larger percentage of Hispanic students than some others, but it hardly qualifies as a developing institution. I wouldn't put it in that category.

So if the aid is to go to a developing institution as opposed to one that happens to have particular students in its student body of certain ethnicity, then it seems the low-income criteria is a better rule to use.

Dr. **Moyé**. We do have the graduate and professional opportunities program (GPOP) which provides fellowship support for students and also gives the institution support in a matching allowance, so that the needs of Hispanics and other minority graduate students can be addressed through the GPOP program.

Dr. **Francis**. I have another point, Mr. Chairman, that I think will address the set-aside, because the opposition is that the 24 percent should be retained. We support that set-aside, but it should be remembered that the goal of removing low-income students, regardless of where they come from to the highest career ladder means, in effect, that we must place funds in those institutions which are graduating students in this career ladder. In the junior colleges and community colleges this is the initial step, but students will not get from the junior college to a baccalaureate degree unless that movement is upward, so to put an inordinate amount in the set-aside to the junior and community colleges would be counterproductive.

What we want to do is move the students from the junior colleges and community colleges to baccalaureate programs to graduate schools, so we argue that 24 percent with the increased funding would certainly bring more money that is needed to the junior community colleges, but we do not share in the argument that the 40 percent is comparable with the population in terms of the goals of the program; that is upward mobility.

Dr. **Berry**. Mr. Chairman, a question was raised concerning the lack of language in the proposal for permitting consortia and cooperative arrangements, even though I said they would be permissible. The language is not there because the understanding was, to exclude it. It is a permitted activity, but I understand from my colleague that he would prefer to have language in there specifically permitting it. Our position is that it should be permitted but not required.

Mr. **Ford**. It is obvious there is a sufficient ambiguity to cause this group to believe they have been left out, so if we make it clear in the legislation that is not the intention, it doesn't do any violence to your intent.

Dr. **Berry**. Right; it does not bother us.

Mr. **Ford**. I have one other question that I am surprised that the community and junior college people didn't raise. In looking at the specific legislation in title III, the administration is proposing a retreat from our previous broadening of the definition of an institution and student. You say, for example, for the purposes of section (A)(1)(a) the term "junior and community college" means institution of higher education, one that does not provide an educational program for which it awards a bachelor degree or equivalent degree, and here is where the problem comes in; two, that admits as regular students only persons having a certificate of graduation from a school providing secondary education or the recognized equivalent of such a certificate.

In 1976, we abandoned that definition by specifically providing in the law that it will be an institution that, "admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit from the training offered by the institution."

This was in keeping with a strong feeling that began to develop in the early 1970's on this committee that we were not just supporting traditional certificated higher education.

We changed the name of this committee from the Committee on Higher Education to the Committee on Postsecondary Education, recognizing that there was no special dignity in trying to get everybody through Harvard with a Ph. D. and that that was, in fact, not a primary function of public funds.

I wonder if the administration considered this as a deliberate retreat. This would very strongly restrict institutions that have now become eligible under other programs because of the 1976 changes. Is that an inadvertent change or deliberate change?

Dr. **Berry**. None of our positions represent retreats from anything that is a liberalization. It was not anything that we discussed. Since we did not discuss it, I suppose it was inadvertent. I am interested in knowing what the position of the community colleges is on that issue, because I am not sure.

Dr. **Reid**. Mr. Chairman, we applaud your thoughtfulness and incisiveness in noting this departure. We like your language, and we would hope that your definition could be interjected into the bill, as opposed to what is presently there. We feel your definition certainly comes closer to supporting the mission, goals and purposes of the community colleges.

Mr. **Ford**. We stumbled across it, frankly, because there was a lot of discussion when we made that change, and in making that change we found that we had friends over at the Office of Education who thought we meant it to apply only to community and junior colleges. We went through several years here in this room trying to figure out where they got some fancy 5-percent rule they were writing over there for the proprietary schools. It took about 3 years, 2 years, plus an amendment to the law, to convince them that in making that change we were not trying to narrow the application down to a very specific group of people.

The interpretation the Office of Education placed on the change we made in 1976 is that we only intended to recognize a student who is a non-high-school graduate in a community or junior college, and not, if you can believe this kind of construction, a 30-year-old mother of four children who is now going to beauty school or secretarial school, to get skills to support her family, who left school, as a matter of fact, because she was raising a family and didn't have a high school education.

That is the kind of anomalous construction that we found very difficult to live with, so we amended the law further. It has been the tendency of the Congress to move in recent years toward the idea that, if the institution you are attending is a legitimate institution that is going to provide you with either skills or life enrichments that are beneficial to you as an individual citizen, that is sufficient. And that the ancient requirement that comes, I guess, out of the attitudes of the GI bill following World War II, that you must, in fact, be a certifiable pursuer of a certificate showing that you are educated in the sense of higher education is not the way we were going.

So I would hope that your staff, Secretary Berry, and ours, could work together to make these provisions consistent with what we have been doing. I take it that would not be inconsistent with what you intend.

Dr. BERRY. Right, I am told that it was simply inadvertance that someone must have copied from the 1972 provisions. We have made no policy decision to move in that direction and would be happy to work with your staff in clearing up any confusion that has resulted.

Mr. FORD. Counsel says he will be happy to send you a copy of the new law.

Dr. BERRY. I think we may be able to find one.

Mr. FORD. There were a couple questions raised by Dr. Francis here which are actually, I suppose, questions that the administration should respond to.

In page 4, Mr. Francis says:

> We would not object to including in the program authorization a definition of a developing institution based on average expenditures per full-time equivalent student, if this provision is given a relatively low weight in comparison to the criterion of serving substantial numbers of students from low-income families, or if clear recognition is given to the fact some institutions have a high average expenditure because they are serving low-income students.

The current regulations weight the BEOG grants 2 to 1, as I understand it. Is that correct?

Dr. MOYÉ. Yes.

Mr. FORD. The way the administration legislation is written, that could become 3 to 1, or 4 to 1, or 1 to 1 in future regulations; so we don't, by this legislation, predetermine the relative weight of low-income students versus low-cost education.

Would anybody on the panel care to comment on that question, since we have the National Association of Equal Opportunity endorsing this, in effect?

I guess also in the question, when we are talking about weighting BEOG's, are we talking about the number of students who qualify for BEOG's or the relative number of BEOG dollars coming to that student population?

Dr. MOYÉ. We look at the average BEOG grant per full-time equivalent undergraduate student.

Mr. **Ford**. When you say the average BEOG grants, are you talking about totally, all the money from BEOG's?

Dr. **Moyé**. You take the total number of dollars awarded in basic grants at an institution and divide that figure by the number of full-time equivalent students, so you don't have the situation where four or five students with large grants could determine that the institution is developing——

Mr. **Ford**. Or the other way around, where all the people that are going to get small grants become a statistic that would weight your formula.

Dr. **Moyé**. That is right.

This year, we will have a good test of how well we conceived of the criteria. We have completed one funding cycle now under the new regulations. I think we should keep in mind, also, that in the new regulations, we did state that if an institution felt that the eligibility factors did not describe its developing status adequately, the institution could submit a narrative to the Commissioner, indicating why the institution is developing so that no institution is permanently locked out of the program because it does not meet the quantitative factors. I think that this mechanism has been helpful to a large number of institutions.

Mr. **Ford**. Dr. Francis, also on page 5, says, "We fully support separate authorization for the challenge grants." And in his comments about that he raised this question with me, is the matching money that we are talking about here supplemental? It is not clear from the legislation on a quick perusal by counsel. You say that to get matching money you have to do something more than you have been doing in the past rather than just diverting something out of your budget to matching funds.

Dr. **Moyé**. It is supplemental, and intended to be that.

Mr. **Ford**. If we were to attempt to tie that down in the legislation to make it clear that money used for the purpose of qualifying for matching grants would have to be demonstrably supplemental to the previous effort made with either public funds or from private sources, that would be no problem for you?

Dr. **Berry**. They don't subtract it from what they are already contributing.

Mr. **Ford**. It is kind of a maintenance-of-effort problem.

Mr. **Francis**. We have had the experience certainly in the private sector with the work we were trying to do with the college endowment funding programs to spur moneys in addition to what is coming from the Federal sources, because we think it is a dead-end street if you are only on one side and broadening that perspective. We hope to develop further and are experimenting now with the dominance program with several colleges, and we hope this will spur the private sector to come into the institution serving low-income students and hopefully the States will do more on the public side.

Mr. **Ford**. But it is important to note that our experience over the years with matching of various kinds going back to the poverty program as well is constantly in this sort of situation where people said to us, you have to increase the amount of matching you do with in-kind contributions because we don't have the money to meet the matching requirements. What we do, in effect, every time we increase that method of taking something you already have and using it for matching purposes, is reduce the impact of the matching on increasing the amount of resources available for the participants in the program. And some of us are insensitive about the idea that if you are going to have a matching program that is designed for the purpose of inducing other people to come forward and put 50 cents in and get a dollar's worth of education for it, it really should have that result.

I see heads nodding there. Do I take it that the panel agrees that this matching provision should be written in the best way that our experts around here can write it so that is the result we achieve?

Dr. **Berry**. That is exactly the result we want; yes.

Mr. **Ford**. On behalf of the Association of Community and Junior Colleges, Dr. Reid says on the first page of his testimony:

> However, we agree with some of the critics of this proposal that the enrollment of a substantial number of students from low-income families and low average general fund expenditures per full-time equivalent student are factors that are not necessarily correlated with being a "developing institution."

Would you like to expand on that for the committee?

Dr. **Reid**. I believe what we are attempting to say is that the definition of a developing institution does not necessarily relate to the two major criteria which have been suggested by the proposed bill of the administration. I commented earlier on the potential bias that may result from the economics of a particular geographic region in determining the FTE cost. There are certain regions of the country where we would certainly expect full-time equivalent student cost to be lower than other regions, simply because of economic factors. We believe there should be some way to address that issue, if not in the bill, itself, at least in the implementation of the bill, in the determination of administrative regulations.

We also acknowledge that the size of an institution could very well determine the full-time equivalent cost, and a larger institution perhaps in this day of rapidly increasing fixed cost could absorb those fixed costs on a full-time equivalent basis because of their large enrollment better than a small institution. I think those are the issues that we are speaking to.

Mr. **Ford**. I tried to read into these, I suppose in a cynical way, the bias that you should probably be representing in talking for the community and junior colleges. I have been under the impression, and perhaps I am wrong, that these two characteristics are the reason you have to have a limitation on how much the junior and community colleges get or they would receive a larger share of the money than they do now. Because, in fact, they do represent, at least up until this time, institutions that have substantial qualification in both categories, large numbers of low-income students and relatively small expenditure per pupil.

Dr. **Reid**. I think what we are saying is that those do not necessarily identify a developing institution as defined under the title.

Mr. **Ford**. Could I help a little by suggesting what is coming to me from minority counsel, that the present operation of the half-cost provision pulls down the dollar amount on the BEOG's, and if you are using the dollar amount on the BEOG's, as Mr. Moyé acknowledged is presently done, you have an artificial bias against what would appear on the surface to be characteristics that these institutions have. The operation of the half-cost on the size of the BEOG's, when coupled with these factors, is really a significant factor in running the bias the other way.

Dr. REID. That was going to be the next point. Thank you very much for making it for me, Mr. Chairman.

Mr. FORD. We don't like half-cost when we can avoid it; that is why we have sort of skirted around it.

The last point that I had marked out in Dr. Reid's testimony was your organization's concern for the continuance of the operation of the consortia, and Secretary Berry has indicated they have no objection to legislation making it clear that would continue to be an option while not a requirement for anyone who chose to use it.

Mr. Simon?

Mr. SIMON. Thank you, Mr. Chairman.

Dr. Reid, in your testimony, Mr. Rivera, in your testimony, you were unhappy with the 24-percent set-aside.

Commissioner Berry—it is good to call you Commissioner here—what is, in fact, the allocation now? I realize it is not a set-aside, but what percent, in fact, is taking place right now?

Dr. BERRY. We have the numbers on that. It is 24 percent now.

Mr. SIMON. So what you are doing is setting that pattern into the statute, then?

Dr. BERRY. By increasing the authorization and maintaining the 24 percent they will get more in dollars, but the same percentage of the dollars available. That is simply a judgment of how the universe of dollars should be allocated for all the various purposes.

Mr. SIMON. Then your definition of substantial number of students from low-income families, Dr. Francis refers to, and the others have, also, using your University of Colorado example, my guess is what you really want is a substantial percentage rather than a substantial number, because the University of Colorado, in fact, might have a more substantial number than some of Dr. Sam Meyer's institutions would have, so that we might want to make that correction.

Then my next question is, what is substantial?

Dr. BERRY. What is "substantial" is stated in the definition.

Mr. SIMON. We have to have some rough idea, is it 5 percent, is it 95 percent, or what are we talking about?

Dr. MOYÉ. We divide the institutions into four categories, 2-year public or private; 4-year public or private, and measure the institutions against those others in their category with regard to percentages of low-income students. For example, an institution gets a certain number of points for each percentage of its student body who receive a basic grant. A similar procedure is used to determine E and G expenditures; but points are awarded relative to other institutions in each category.

Mr. SIMON. So you are talking about substantially above the average?

Dr. MOYÉ. Yes, sir.

Dr. RIVERA. Mr. Simon, may I respond?

Mr. SIMON. Yes.

Dr. RIVERA. This is a matter that puts the institutions that accommodate a large number of Spanish speaking at a significant disadvantage. In Mr. Francis testimony, he indicated of all the black college graduates, a high percentage come from black colleges. He also said that black institutions serve one-fourth of all the black students. The fact of the matter is, Hispanics do not have institutions that are thought to be specifically Hispanic. Not only do Hispanics not have their own institutions, but they do not have their own faculty nor administration. There are simply no Hispanic institutions per se. Consequently Hispanic participation in postsecondary education is significantly lower than other minority groups. Because we do not have Hispanic institutions, then we are really talking about apples and oranges. I guess in the entire testimony on title III, the coalition recognizes that philosophically this is a matter that has not been addressed. It is very unfortunate, because we feel it is in the best interest of the Hispanic community to take a serious look at this oversight.

May I also talk about one other aspect that was mentioned by the administration—cooperative arrangements. The coalition spoke to this point in our testimony in March. We are very concerned about the cooperative arrangements as they currently exist. There are many areas that have to be improved. As the GAO report indicated, this is one of the biggest areas of vulnerability. We have made specific recommendations to streamline the institutions and agencies receiving grants through title III.

Mr. SIMON. If I may follow through, how many institutions are you talking about?

Mr. SIMON. Hispanics:

Dr. MOYÉ. Dr. Berry has the breakdown of the institutions that applied to us this year. There were twenty-four 2-year Hispanic institutions that applied this year, and twenty 4-year Hispanic institutions.

Mr. SIMON. Of those, wouldn't a very high percentage be eligible under the formula that is suggested here by the administration, a substantial percentage of students from low-income families?

Dr. MOYÉ. Yes.

Dr. BERRY. That is true, and, as I pointed out earlier, about the same percentage of those Hispanic institutions were funded as the percentage of white institutions, black institutions, and the like. In fact, sixteen of the twenty-four 2-year institutions and sixteen of the twenty 4-year institutions were recommended for funding because they did meet the criteria.

Mr. FORD. Would the gentleman yield?

Mr. SIMON. Yes; of course.

Mr. FORD. Back on March 28, Reggie Wilson, from Wayne County Community College in Detroit, was testifying on this point, and he walked us through the process by which we got to the 24 percent. It bears on two questions: One you have asked, and one that has been raised by Mr. Rivera. He pointed out that the Congress in 1965 established a 22-percent set-aside, equalled the percentage pointing out that we chose the 22 percent not by some magic but on the basis of an assumption that says 22 percent of all the students that were in those 2-year institutions and that was the opinion of the committee then as a reasonable place to start.

The legislation has been amended four times since 1965. In 1968, the set-aside for 2-year colleges was raised to 23 percent. In 1972, the 2-year college set-aside was raised to 24 percent. That recognized the increasing percentage of low-income and minority students enrolled in community and junior colleges. Also, in 1972, a 1.4-percent set-aside to increase postsecondary education for Indians was added. This was removed in 1976 in order that the Indian-controlled community colleges would have increased access to title III funds.

There are five reasons that are given as historical precedent for now increasing the percentage of title III funds earmarked by Congress for 2-year institutions. Then he gives us a lot of statistical information indicating that during the period of the existence of title III the percentage of minority and low-income students attending institutions of higher education who were, in fact, in community and junior colleges has continued to increase; in spite of all the Federal programs that have provided access to more expensive forms of higher education. The fact is that the community and junior college phenomenon, as it has grown, has been largely a phenomena of providing educational opportunities in a place within a community for low-income students. When you start talking about that characteristic, you automatically begin to find the corollary between that characteristic and the characteristic of being a member of a minority group. He has a breakdown showing how this breaks out with the most phenomenal growth I suppose taking place with Hispanics in the community and junior colleges.

So it becomes apparent that this percent has been very difficult to deal with over a period of time, but the original rationale for setting the figure has been abandoned for some years, and we are now searching, I take it, for a new rationale.

Underlying all of this, of course, is the firm belief that exists in the community of traditional black colleges that there was a legislative promise that this was their program. We have searched vainly for any evidence of that legislative promise. This committee has been told that President Johnson said that when he announced the 1965 act. We have researched the President's speech, and, as a matter of fact, even preliminary drafts of the speech, and that just isn't to be found.

There apparently were conversations between my predecessor during that period of time, as chairman of this committee, and some people, which led to that kind of belief becoming firmly a part of the folklore of title III.

It would be less than honest not to recognize that that is the political and practical problem we face in trying to increase the size of the pie allocated to community and junior colleges because there is a very strong division of opinion as to which type of institution is, in fact, more genuinely serving the needs of black Americans.

The community and junior colleges are arguing that while, it is true that they are new in the business, they are really the emerging and developing institutions for that purpose. Then, of course, you get over to the argument about how many degrees are granted, and so on, and that leaves community and junior colleges out of it. It is a very tough problem that has to have a political solution because no one on this committee over the years of wrestling with this has found a viable rationale that meets the deeply felt concerns of people who differ on what the intent and purpose of this section would be.

However, the administration is offering us an opportunity here by increasing their commitment to title III to a $250 million authorization. This makes it within the realm of possibility for this committee cooperating with the people at this table and others who have an interest who are not here today to find a rationale and be able to make change, if change is indicated, with the use of the new money so no one is disadvantaged by a sudden shift. Going to a 40-percent set-aside without new money would be certainly a sudden shift. The only way in which you could accommodate that kind of change would be to take money from the traditional black colleges. I am talking on the assumption that one reaches when listening to the people who have been making their case in both directions and presumably, without that cap a lot more money would go to community and junior colleges if we don't increase the authorization. It does so at the expense of the traditional black colleges.

The caveat to all of this is even if we try to write the legislation, assuming the $250 million authorization is going to produce more money, we have to face the fact that it is difficult to set new money appropriated in the current environment.

So that we have to be careful that what looks like a fair allocation with a $250 million authorization doesn't turn out to be something less than that. I hope that this gives the gentleman some idea of how complex this little number is, and controversial. It is very controversial. People don't like to talk about it out in front. It is not the kind of discussion you have in polite company, but sometimes——

Dr. **Berry**. Mr. Chairman, could I add a comment? I share in the concern about the very desperate educational situation in which Hispanics find themselves. I have often stated that their educational problems are significantly worse than even those of black Americans, troublesome.

But I think that he will agree with me that to add significantly only to the community college authorization wouldn't help that much in terms of helping more people, including Hispanics graduate from college and go on into the professions. Because, it is indeed true for Hispanics as it is for blacks that more graduate from college with degrees if they go to 4-year institutions than if they go to 2-year institutions. That is a major problem for blacks and Hispanics.

Al spoke forcefully about the need to give funds from title III to institutions that have large percentages of Hispanics, even if they are not struggling for survival and meet the other criteria. I think that confuses the purposes of title III as it has been understood and as we are proposing that it continue to be understood. It reminds me of the debate over the Emergency School Assistance Act, where some people think funds for desegregation should be used for basic skills training, and we tell them that is not its purpose. In fact, it would be a mistake to give title III funds for improving faculty development and academic programs and the like to institutions that are not struggling for survival.

So it is an important problem, and I share the concern. But I don't think this is the place to try to meet that objective.

Mr. **Ford**. Would you mind if I put an asterisk in the testimony with a footnote that said except Detroit?

Dr. **Berry**. Oh, except Detroit, Mr. Ford.

Mr. **Simon**. Mr. Chairman, first of all, I appreciate knowing a little bit of the history, and we fortunately have William Solomon Ford as chairman of this subcommittee, so we will arrive at a just and good solution here.

One final question I do have for the Commissioner. You talk here a larger one-time grant of 4 to 7 years, which would end eligibility for title III assistance.

What kind of amount are we talking about?

Mr. **Simon**. Give me a for instance.

Dr. **Berry**. It would depend on the purposes laid out in the grant. So the institution could only be funded to the extent they can justify the item.

Mr. **Simon**. Are you talking about something that, in fact, then would be four to seven times what they would get?

Dr. **Berry**. The idea is to encourage institutions to engage in longer term planning so that at the end of the grant, they are finished. We can fund them and they can count on it; they know they will be getting the money for 7 years. We want to encourage that kind of development as opposed to funding shorter term items where they will come back for more money for different kinds of things.

Mr. **Simon**. What I am trying to——

Dr. **Berry**. How much money?

Mr. **Simon**. Yes, and assuming that we move ahead with this, we probably initially—because I assume some institutions would want to take advantage of this——

Dr. **Berry**. Right.

Mr. **Simon**. So we are talking about an appropriation that might—there might be a declining appropriation here, but the initial appropriation should be fairly close to the authorization, I would think.

Dr. **Berry**. Right. And with some institutions you would have to subtract each year the amount committed to them for the remainder of the 7 years; that is right.

Mr. **Simon**. Right.

Thank you, Mr. Chairman.

Mr. **Ford**. Mr. Weiss?

Mr. **Weiss**. Thank you, Mr. Chairman.

If I may, let me pick up just where Mr. Simon left off. I assume that you have records indicating what the average grants have been in past years, and perhaps a guide to what would be expected for grants in the future. What have those average grants been?

Dr. **Moyé**. Under the basic program in the past, we have given out an average of $200,000 a year, and under the AIDP, which was the advanced developing institutions program, the average long-term grant, a 5-year grant would have been about $1,500,000.

Mr. **Weiss**. So you are running annually between $200,000 and $300,000; right?

Dr. **Moyé**. Right.

Mr. **Weiss**. If I may, let me see if I can tie in the discussion of just a moment ago between the Chairman and Mr. Simon as to the conflict between new institutions and old institutions, as to who was intended to benefit, and so on.

Isn't it a fact that one of the important reasons why you are suggesting a nonrenewable long-range, long-term grant is because that would help you to shift over from whether it was a real or presumed or fabled commitment that had been made. Regardless of what the past history had been, if institutions know either what their present condition or their past history had been, that they cannot come back after 7 years, that that would, in essence, resolve the problem as to which institutions were historically expected to be tied in and be the prime beneficiaries of this program?

And whether that was the intent or not, isn't that the consequence of what you are suggesting?

Dr. **Berry**. It is the consequence, if you mean that once institutions have applied for 7 years, no matter how they got into it in the first place, there would be no expectation of continued funding. I think that is right. But the institutions would still have a choice of going for the short-term grants or the longer term one. But once they got a 7-year grant, they would not receive any more, no matter what the history had been.

Mr. **Weiss**. What has been the breakdown within the past appropriation between the short-term annual grants, and the long term, up to 5-year grants.

Dr. **Moyé**. The past few years, the $120 million has been broken down into AIDP and BIDP, with AIDP receiving $68 million and BIDP receiving $52 million. So, in recent years, more money has gone to the long-term grants. And in the past, I should add, we have always funded the long-term grants out of a single year's appropriation, although the school could spend for 2, 3, 4, or 5 years.

Mr. **Weiss**. Do you have the figures indicating how long some of these institutions have been involved in the program as grantees?

Dr. **Moyé**. We have the figures and could provide them for the record.

[Information referred to above follows:]

The following table shows the number of fiscal year 1978 grantees that have received a title III award for 1 or more years.

Years in the program:	*Number of institutions*
13	24
12	27
11	16
10	15
9	11
8	17
7	13
6	16
5	18
4	18
3	15

2	12
1	90
Total	292

Mr. WEISS. Would you be able to enlighten us at all at this point as to what your recollection is as to, on the average, whether you have institutions that go back to the very beginning of the program and what kind of transitioning there seems to be?

Dr. MOYÉ. My guess, and I think it is an educated guess, is that most of the institutions that were in the program initially are still in the program, and have been in the program continuously. A few are no longer eligible but most are still in the program.

Mr. WEISS. Dr. Rivera, I wonder if in the course of the preparation of your testimony, because I think you had taken exception to this nonrenewable proposal, whether, in fact, you focused at all on the kind of thinking that perhaps is reflected by the dialog of the last few moments?

Dr. RIVERA. Yes; I have worked in that program, in title III, sir, and I feel that there are several institutions that have been funded through title III that have made a significant contribution to higher education, and I believe it has helped many black colleges considerably.

I would have reservations, speaking personally, although the coalition supports this testimony, that even if the institution were to receive a 7-year grant, whether or not at that time that institution should be terminated from title III funds.

I think what is apparent in this program is that, grants have been issued to many institutions year after year after year. And, frankly, people have not been responsible, unfortunately, in the administration of those grants. Based on that logic, I question what the administration is proposing at the end of 7 years, that applicant schools be terminated; if that is the case some of these schools that have been in this program virtually since its inception—and that is the case—then some of them should not be allowed to continue in this program.

Now, I go back to my original thesis, that I think indeed it has helped some institutions. I find myself in this particular plight continually reacting to a perception that the chairman was discussing about different people's perception of what the program is. Indeed, it is very unclear as to what the program should be. I know that philsophically the Hispanic population recognizes it does not have access to the program resources; we are not plugged into the system and this is a condition that must change. The fact that only 24 institutions are awarded grants that are servicing or identified as Hispanic institutions indicates the problem. We can identify that many institutions in one State.

Dr. BERRY. They are the only ones that applied.

Dr. RIVERA. That may be true, and that precisely targets on another major concern. That is, if indeed those are the only institutions that are applying, then perhaps one has to look at how technical assistance is being offered to support those institutions that do accommodate a large number of Spanish speaking in order to get out in the field to help them prepare the grants, to help them understand what this program is about. The condition believes it has to come at this level to address the problem. We are virtually convinced of it. Unless there is something written into the law that indeed states we are going to deliver services to the Hispanic sector out there and this is how it is going to happen, because we know it has not happened in the past.

Mr. Weiss. How many colleges, 2-year or community or junior colleges would you think the universe is that could qualify for the program?

Dr. Moyé. I can't answer that. We have to go on the applications we receive, and I know that in past years my colleagues in the office have spent considerable amounts of time trying to identify Hispanic institutions, and to make them aware of the program.

Mr. Weiss. I am not talking about just Hispanic—the whole universe.

Dr. Moyé. We estimate a thousand institutions are eligible.

Mr. Weiss. And of those you are funding roughly 30 percent?

Dr. Moyé. Probably a little more than that.

Mr. Weiss. How many?

Mr. Ford. Would you yield at that point?

Mr. Weiss. Sure.

Mr. Ford. Back in March, when Dr. Moyé was before us, I finished up a long question discussing the conflict between the view that the community colleges were getting too much and the view they were not getting enough by saying, how do you feel about the effect of the existing set-aside without regard to whether it is high enough or low enough to suit the people, meaning the respective people who were differing on the issue—and your determination of the funding period and where you ought to spend the money.

[Dr. Moyé answered as follows:]

The set-aside will be addressed in the reauthorization. Our recent experience this past year was many of the community colleges in the advanced program did not get funded, not because the proposals were not acceptable, but because we simply ran out of money. There was a marked discrepancy, I thought, between what we would have done with the set-aside and what we have to do. We could not give more than 24 percent of the money to the community colleges, so we ended up funding 4-year colleges that did not rank as well as some community colleges. In this instance, the set-aside worked against the community colleges.

So presumably on the basis of last year's applications there were institutions that met all the criteria, but they bumped up against the 24 percent, and in order to spend the money they had to go to institutions that did not score as high in meeting the requirements.

Mr. Weiss. Right, and I am trying to ascertain, if there is any indication, educated guess or whatever, the number institutions there are and what percentage of those institutions are being funded at the 2-year college level.

Dr. Moyé. I can give you the exact figures from this year. It does not represent the entire universe, but out of 224 2-year institutions who applied to us, we are recommending 172 for funding.

Mr. Weiss. Two-year institutions, 224 that applied. See, what I am trying to find out is how many of the colleges there are out there who could apply, who could qualify. You said there are 1,000 roughly. And you say you funded about 174.

Dr. Moyé. In the 2-year group 172, but the 1,000 would include both 2-year and 4-year institutions, both public and private, and we have received applications from over 500 of those 1,000 institutions.

Mr. Weiss. You don't have a breakdown as to how many of that 1,000 are 2-year institutions?

Dr. Moyé. Yes. Of the 1,000 are you only concerned about those who applied?

Mr. Weiss. The total universe eligible.

Dr. Moyé. I don't have that at the moment. We can submit that information. I am sure the evaluation staff has those data.

[Information referred to above follows:]

Of the approximately 1,000 institutions which are either definitely eligible or which have a high probability of being eligible to be designated as developing institutions, 546 are 2-year institutions.

Mr. Weiss. Because, again, Dr. Rivera, and to a great extent I sympathize with the question of logic that you raise, but it seems to me that it is one thing to express criticism of the fact that there are institutions that have been on from the beginning perhaps don't belong.

The question is how do you phase them out? The administration has suggested is that because they have not been able to do this with a strong administration that they now have a foolproof way of guaranteeing that, institutions don't stay in the program forever. Although that may not be the best way of doing it, it is at least one guaranteed way of achieving it. I wondered whether, in fact, in light of that, you think it does or does not make any sense?

Dr. Rivera. We spoke to that question. We would recommend for administrative purposes, and that is only because I had experience in that program, that grants not be made on an annual basis principally because it involves much too much paper shuffling and institutions having to reapply every year constitutes an unwarranted high cost for colleges to absorb.

So we simply think that a 2- to 5-year period would be much more realistic. It would allow the institutions then to chart their own direction and indicate what kind of measurable goals and objectives they anticipate achieving.

The administration proposed 7-years nonrenewable grants. I think that is an individual college matter. We have some reservations about it because there are many institutions that were receiving good services from this program in the past, and possibly should continue. So the question of whether or not in 7 years the applicate colleges will be able to get their act together, I really could not comment on that at this time. However, I would have some reservations about cutting them off entirely.

Mr. Weiss. What occurs to me is that it is one thing if you had only a limited number of institutions and that if you cut them off, you wouldn't know what to do with the money, but when it appears that you have two, or three, or four, or five times as many institutions eligible as those that you are funding, it seems to me that perhaps there ought to be some kind of rotation to make sure those that haven't had any at least come in and qualify rather than having those that have been on for 7 years saying we still qualify and it would be unfair for you to cut us off.

Thank you very much, Mr. Chairman.

Mr. Ford. Could you provide for the committee, Dr. Moyé, some kind—and this might be helpful to us—of estimate of what would happen if you simply removed the set-aside—and we are calling it properly a set-aside. It is a kind of funny wording that says that no less than 24-percent would be set aside, but, in effect, it has been interpreted, and it becomes a cap, so it is, frankly, a 24-percent set-aside.

What would happen if the set-aside were removed? Do we get to 27 percent, 40 percent? We can't engage in a bargaining process here with the community and junior colleges, saying we think 35 percent is appropriate, the administration says staying at 24 is appropriate, so we end up with some kind of a blind compromise in between those figures.

Wouldn't it be a little more dignified if we had some idea? If we are talking about removing the set-aside and you only get up to 27 percent, shouldn't we be talking about that instead of something between 35 and 24? Is there a way you can estimate that for us?

Dr. **Moyé**. We will give it a try.

[The information referred to above follows:]

The effect of removing the 24 percent set-aside is somewhat difficult to gage, for fewer than half of the 2-year colleges eligible for designation as developing institutions have applied for funding, and a substantial discrepancy exists between the funding levels requested by institutions in their proposals and the funding levels ultimately received by these institutions. However, data from the recently completed fiscal year 1979 awards cycle provides an estimate of the impact of removing the 24 percent set-aside.

In the fiscal year 1979 competition, 224 of the 546 potentially eligible 2-year institutions, or 41 percent, applied for title III funds. Of those which applied, 202 were declared eligible to compete for funds. Awards were made to 174 institutions, or 86 percent of those declared eligible for funding. (Of those 4-year colleges which applied and were declared eligible for funding, 83 percent received awards.)

If the set-aside for 2-year colleges were eliminated, we would evaluate all proposals without regard to 2-year or 4-year status. In view of the high percentage of 2-year college proposals which received funding in fiscal year 1979, a figure which compares favorably with the percentage of 4-year colleges which were funded, we believe that the 24 percent set-aside is entirely adequate to meet program needs.

Mr. **Ford**. Thank you.

Mr. Buchanan?

Mr. **Buchanan**. Thank you, Mr. Chairman. If the set-asides were taken out, would it be necessary to devise other criteria to insure that 2- and 4-year institutions could equitably compete against each other?

Dr. **Moyé**. It would be difficult for me to answer that at this point. I believe your question would have us decide how we would administer the program without the set-aside, and I am not prepared to answer that at this time.

Dr. **Berry**. We would prefer to continue with the 24 percent, but we would be willing to look at that question and try to come up with an answer. We don't have one now.

Mr. **Buchanan**. Let me apologize first for being in and out of this hearing.

We are trying to do something about rescuing the boat people in my other committee.

Second, earlier this year the administration was advising the Congress that it would be unwise to change the Office of Education's process for evaluating proposals for the fiscal year 1979 awards on the basis of criteria established under the "old regulations."

If Congress disapproved the regulations, we were told, it could run late into the summer before awards were made, an understandable disadvantage to institutions.

At the suggestion of institutions, the Congress did not disapprove the new regulations so that the awards could be made by June 30.

It is now substantially beyond June 30 and not even the award negotiations have begun with the institutions.

Could you please explain what the problem is? When do you expect these grants to be announced?

Dr. MOYÉ. The awards process has been completed.

The slate of awards has been approved. I assume that today or tomorrow the schools will be notified that they will be contacted for negotiations.

The Congressional Liaison Office will notify you of the schools that have been chosen to receive awards.

We are several days late, but the selection process has been completed.

Mr. BUCHANAN. When we last discussed the question of criteria for title III, it was when the Congress was looking at the then-proposed regulations for title III. Now, as we evaluate these "new regulations" in terms of the reauthorization process, it will be important to know how the Office of Education arrived at the criteria they used to determine eligibility under the program.

The criteria in the new regulations is drastically different from that in the former regulations. I wonder if you can tell us how and why OE determined to use the criteria they established?

What studies or evalutions were conducted to determine that these were the best indicators of institutional need?

Dr. MOYÉ. The two criteria that we selected were from a list of approximately 51 separate criteria which could by possible indications be struggling for survival and isolated from the mainstream.

We are going to evaluate this grant review process and pay particular attention to those institutions that fell into a couple of categories.

First, we are interested in those institutions that were "grandfathered" for purposes of eligibility who did not receive 174 points. We are also going to take a close look at institutions which did not receive 174 points, and but which submitted narratives, and which on the basis of the narrative we declared to be developing on the basis of those narratives.

We think we will be able to determine quite accurately just how well the eligibility criteria describe the institutions by looking at this first post-award year under the new regulations.

Dr. BERRY. Mr. Buchanan, the notion was that we wanted to come up with criteria that would make title III most effectively complement the need-based programs of student aid. The concept here is need, We wanted to make the title III program, insofar as possible within the statutory language, complement that concept. Now that we have gone through the process we can evaluate to see how close we came to where we thought we were going.

Mr. BUCHANAN. Could we have a list of the 51 measures considered, and maybe a written summary of why you came up with what you came up with?

Dr. MOYÉ I will ask for that.

[The information referred to follows:]

The eligibility criteria were modified in the new regulations for Title III because the collection of measures previously used to determine eligibility did not discriminate well between those institutions for which Title III was designed and other, non-developing institutions. In revising the eligibility criteria, we were searching for explicit measures which would identify those institutions which, in the language of the statute, were "struggling for survival" and "isolated from the mainstream of academic life." In our search, we examined fifty-one measures before selecting the two which became our quantitative eligibility criteria in the new regulations.

Attached is a list of the measures which were considered during our revision of the eligibility criteria. Also included is an explanation of why these measures were felt to be inappropriate, unworkable, or not indicative of an institution's developing status.

FTE Enrollment (2-year and 4-year schools)
FTE Faculty
Number of Graduates (Baccalaureate or Associate Arts)
Numbers of Ph.D's
Professor's Salary
Instructor's Salary (4-year schools only)
Average Salary (2-year schools only)
Percent going to Graduate School (to 4-year schools for 2-year colleges)
Percent completing for first year
Ratio of Baccalaureates of AA's produced to total enrollment
Number of Low-Income Students
Percentage of Low-Income Students in total enrollment (headcount)
Percentage of Low-Income Students on Financial Aid
Number of Minority Students
Percentage of Minority Students (headcount)
Per-capita Student Aid income per low-income student
Educational and General Total Expenditures
Per-Capita E&G Expenditure per FTE Student
Per-Capita Library Volumes per FTE Student
Total Library volumes
Percent from Endowment Earnings
Percent from Gifts and Grants
Amount from Endowment Earnings
Amount from Gifts and Grants
Total Endowment Fund
Percent from State and Local
Amount from State and Local
Per-Capita from State and Local
Percent from Federal Sources
Amount from Federal Sources
Percent (Sources not defined)
Amount (Sources not defined)
Percent of Ph.D's

Other criteria reviewed are discussed below:

OE studied use of the Consumer Price Index (CPI) to adjust for regional factors but found that the CPI has no relevance as an across-region measure of cost of living.

The Bureau of Labor Statistics' Urban Family Budgets for Selected Urban Areas relates only to selected urban areas, not all urban areas and not non-urban areas. Furthermore, the household budget data do not accurately portray the cost of operating an educational institution.

Regional indexes and budgets do not take into account differences between areas within regions, for example between New York City and upstate New York. It also is not clear that faculty salaries, the largest part of E&G expenditures, would be higher in all high-cost areas or lower in low-cost areas.

OE also studied regional cost differences in Basic Grants and found that a student from a low-income region attending a higher-cost institution would have higher living costs and, thus, be entitled to a larger size BEOG award.

The inverse of the Student Eligibility Index (SEI) proves to be almost perfectly correlated with the BEOG award. This is reasonable because: The higher the SEI, the lower the BEOG award.

Using income levels or regionally adjusted income levels proved not to be feasible, since income levels do not take into account family size, amount of assets, and other indicators of need already calculated in BEOGs.

Different student financial aid data did not prove useful: SEOGs are too limited in terms of the number of eligible students. NDSL and CWS grants are less need-based than BEOGs. Many middle-income students qualify for those programs. In 1980 there will be no income limitation on Guaranteed Student Loans.

OE also considered, as one alternative measure, the average unconstrained BEOG per FTE undergraduate to determine whether the BEOG "half cost rule" affected institutions' scores in the Title III BEOG points scheme. The analyses showed the unconstrained BEOG and the actual BEOG to be almost perfectly correlated overall and when scores are compared within type and control considerations.

An institution can easily determine its BEOG disbursements. SEI or unconstrained BEOG awards could be used, but they would virtually yield the same results while being more difficult for the institution to report.

Some of the suggested criteria are not quantifiable and, therefore, are impossible to index. These include academic preparation of the faculty, past performance of future plans of the institution, the institution's background, or effectiveness of management procedures.

In developing the new eligibility criteria, it was felt that those institutions which served substantial numbers of economically and educationally disadvantaged students were characteristically struggling for survival and isolated from the mainstream of academic life. Additionally, relatively low expenditures per full-time equivalent student were found to be strongly correlated with a lack of financial resources and thus were a useful indicator of whether an institution was "struggling for survival." Therefore, the two criteria which measured those institutional characteristics were adopted. The average Basic Grant per full-time equivalent student provides an estimate of the relative amount of economic disadvantage of the student body. The average educational and general expenditure per full-time equivalent student gives a relative measure of the limitations of an institution's financial resources.

While we believe that these are the most "reasonable" indicators we could identify, we do not purport to state that they are always conclusive. For this reason, the regulations permit an institution which believes itself to be developing, but does not score the requisite number of points under the two quantitative criteria, to submit a written explanation of why the two criteria do not acurately reflect its developing status.

Mr. BUCHANAN. Thank you very much.

Now, it is clear that title III is a competitive grant program. The GAO has provided the committee with a copy of a memorandum from the Director of the Division of Institutional Development dated April 4, 1977, which suggests a funding strategy which "avoids the risk of program drift into general small college support by keeping the main focus on institutions presently funded."

It further suggests that any additional institutions to be funded in fiscal year 1977 were to be institutions which were serving primarily minority or disadvantaged students. This included predominantly black institutions, according to the memo.

Could you explain for the committee why a memo like this would be at all in keeping with the nature of a competitive grant process?

Furthermore, OMB documents for fiscal year 1980 programs indicate that 49 percent of the title III money is targeted to go to black institutions.

Can you explain the Department's stand on this set-aside for the coming year, and I would appreciate any light I could have on that memo.

Dr. MOYÉ. I will comment on the last point and beg off on the first point, because I was not around at the time.

With regard to the OMB document, we do try to estimate for OMB based on past history what we feel will be the funding in any given year, and when we stated 49 percent, this is our best estimate based on previous experience in the program. It is not a guideline for us.

Mr. BUCHANAN. I must confess, I personally am schizophrenic on this subject, because I have a strong feeling that we should continue to fund the black institutions in a very significant and unique role still in terms of the baccalaureate degrees awarded.

I want to make it very plain that I personally feel strongly on the subject of targeting funds in a competitive program before the bids come in, if that is done as well.

Dr. BERRY. Let me answer that.

Indeed, the regulations, and the way we operate, do not require us to target funds on black colleges or any other kind of colleges, but to target them on institutions that meet the two criteria. And, as I said, indeed we were trying to target the funds on those institutions that have low-income disadvantaged students. This would complement our student-aid program. So the idea is not to target funds specifically on black institutions.

Some of the black institutions think they should have received more of the money. But one of the criteria is need-based, and we can not simply say in advance that we will give to black institutions. As Al Moyé pointed out, we were simply trying to estimate, based on past history, what we thought might be the result.

Based on this year's figures, we will be able to estimate again what we think the results would be the next time.

Mr. BUCHANAN. Mr. Chairman, I will have additional questions because this is a very difficult area for me. Sometimes I think it's clearly desirable to give assistance to these traditional black institutions. Sometimes I wish we could do so right on the table as a thing in itself separated from other things.

Where you have so many institutions competing for limited funds, it does become complicated as to how you provide continuous support to one particular category of institution and at the same time be fair to other institutions.

Thank you.

Mr. FORD. Part of the problem is, as it was laid out by Mr. Wilson, you go back to 1965 and see where poor people were going to school and look at 1969, 1970, 1971, and now come up to 1980, and things have changed.

We have a whole new phenomenon that is so new that it was really not very well known across this country 25 years ago.

Here we are 15 years after the point at which we set this cap on the basis of the percentage of all college students going to community and junior colleges, ignoring the change that has taken place.

Can you tell us what the percentage is now?

What percentage of the total of all kinds of students, not minority students, are in community and junior colleges today?

Dr. REID. I have information, Mr. Chairman.

I think that your point is very significant, and I would like to speak beyond the initial point.

Thirty-nine percent of all black students attending colleges, undergraduates, are attending 2-year institutions; 47 percent of all Hispanics.

Mr. FORD. No; what percentage of all of the students in any kind of college, undergraduates, that is?

Dr. Reid. Those are the figures I am giving you.

Mr. Ford. I have the breakdown by groups.

Dr. Reid. All minority students, 56 percent.

Mr. Ford. I am trying to get a comparison.

Dr. Reid. Around 43 percent of all students attending colleges as undergraduates today are attending two-year colleges.

Mr. Ford. How do you respond to the assumption that a larger portion of all undergraduate students are attending community and junior colleges today than 15 years ago, and that the increase in that larger portion has been predominantly from low-income people?

Are those reasonable assumptions? Congressman Buchanan's problem here is that history has changed, and we are trying to deal with it as if it hadn't changed.

We have other people in the business of providing access to education for low-income students in large numbers that were not in the business in large numbers when we wrote title III in 1965.

Perhaps what we have to do is consider what Congressman Buchanan has suggested, that if the maintenance of the traditional black college is an important public policy, we face that right up on top of the table and say we are going to have a program for that purpose. But the program has been tailored over the years using characteristics that were exclusively or predominantly the province of the traditional black colleges in 1965. When you use low income and low per pupil expenditure as predominant characteristics as determining what the student body of a developing institution is, you discover that there are literally thousands of institutions in business that were not in business then that are targeted specifically at the kinds of programs that attract these people.

Every big city in the country now is in that business.

The only State that doesn't today have State-supported community and junior colleges is South Dakota, as I understand it.

My own State of Michigan has a scattering of them. In 1965 the biggest city in the State didn't have a community or junior college, but today it has two of the largest serving it in the whole country.

If you look at the make-up of that student body you see that there is an awful lot of educational opportunity being provided for low-income people that had no alternative available to them several years ago, so we now have the traditional black college competing on the basis of this criteria with this growing new phenomenon. It has continued to grow at a fantastic rate during the period of the life of title III, and it is not fair to either segment to continue to have this kind of competition because that is what gets us into this.

It's obvious to me, and I can get in trouble for this, that we have consciously followed policies to protect the share of those who were there first against this growing new provider of education to low-income people. That has been accepted as a policy, but it continues to exacerbate the kinds of tensions that are demonstrated here this morning.

We ought to be able to deal with that, so that we avoid continuing down the road where we have the Hispanic and the advocates of community and junior colleges pitted against the traditional colleges. That is not good for anyone.

Dr. **Berry**. I won't try to answer what you just said, Mr. Chairman, or to controvert it, especially when you say it's a phenomenon that exists in Michigan. But I would like to comment on it. Let me just say that in considering what to do about the problem you also have to weigh whether, indeed, the Hispanics and the blacks, and the like, who attend community colleges, are going there because that is the only place that will take them, and possibly that the 4-year institutions that are not black institutions are not doing the job of taking in these students and educating them.

They can graduate with degrees and the black colleges continue to be the supplier of these degress.

You weigh that also in terms of Hispanics and what happens to them and do they in fact get degrees?

If your objective is to increase the supply of Hispanics, the poor, and blacks who end up with degrees, you weigh the place that does that job against the place that may or may not do that. Take that all into account and you come up with a judgment of where you go with the program, unless you want a completely new and different program with purposes different from this one. Then you must separate that out and put it on the table and talk about let's do this or that for black colleges.

I don't know the answer. I only make those comments.

Mr. **Ford**. You have to weigh also, Mary, the fact that the statistics last year show the average age of a community and junior college student to be 30, and the average age of a female in a community and junior college to be 35. This has continued to climb with the interesting phenomenon that the percentage of people going to commmunity and junior colleges with a baccalaureate degree as their ultimate objective has stayed constant while this growth has gone on. The community and junior colleges have moved into education for the world of work, job-related education, short-term programs for paramedics, paralegals, all sorts of professions, if you will, that didn't exist a few years ago.

In spite of all of these, the very laudable development of these alternatives to getting a traditional 4-year degree, they still tell us 50 percent of the people going to community colleges state as their objective ultimately getting a baccalaureate degree, so it's a very important part of the pipeline for poor people to get on course for the ultimate achievement of having a baccalaureate degree.

I suspect there may be a slight difference, and I am being personal when I say this, on the relative importance of having a 2-year certificate that makes it possible for you to go out and save people's lives as a paramedic and having a 4-year degree with a couple of majors that won't get you a job or contribute anything to society.

We have shifted, many of us, those of us who have had the privilege of getting the nice pieces of paper to hang on our walls, from believing that that is what Americans really expect our Government to be supporting in education exclusively

That is why the programs have constantly broadened out to take care of nontraditional students, independent students, to encourage a 35-year-old or 40-year-old woman to come back and acquire some skills.

What does it profit her to try to get a piece of paper with 4 years of credit when what she really wants to do is support a family?

She is the head of a household. Look at the statistics on what is happening, and you can see a direct correlation to what is happening. You can see an increase in the number of women, non-school age, returning to education and becoming the heads of households in this country, too.

The figures run right together. We have been for several years trying to respond to what we perceive from the wisdom of Washington here on this island of isolation from real America to——

Dr. BERRY. Right; right.

Mr. FORD. What has been happening. Only very recently have we seen our States respond to this. California was way ahead of everybody else, and it was sort of pooh-poohed, because they do everything different in California.

Some of the States that consider themselves very progressive in the field of education are brand new in this idea of a diverse packaging of educational opportunity in the community and junior colleges.

It's growing so fast that we can't keep track of it. This committee used to consider that community and junior colleges were a split personality. We had some legislation that dealt with them as an extension of elementary and secondary education, and some programs that called on higher education, and for a short time they enjoyed the wonderful experience of getting money from both committees on this committee.

We finally got them out of elementary and secondary education a few years ago, but no matter how we try to deal with this we always come back to where Mr. Buchanan just brought us. We see developing more and more tension between groups that shouldn't have tension between them.

Everybody has agreed that all of the groups that are encompassed in this program should have a very high priority of Federal money.

Having reached that conclusion, we should not do as we did with handicapped people. Being handicapped with the loss of hearing or sight or the loss of your legs were different categories to be dealt with in different places in different ways.

We finally came of age with respect to physical and mental handicaps, or are coming of age, I should say, very late in the development of society in our country, but we can't do the same thing with respect to the need for educational assistance.

I shouldn't say we can't. We have been unwilling to do that, and I think that this committee is reaching out to you asking for some help to see if we cannot resolve these problems in a way that will leave everybody feeling that they have been dealt with fairly.

Mr. Ratchford?

Mr. RATCHFORD. Thank you, Mr. Chairman.

Commissioner Berry, I would like to get back to page 5 of your testimony before we have to respond to the voting bells like Pavlov's dog, which is the way of life around here these days.

I really question the efficacy of having two separate time periods for grants. If I were sitting as a financial vice president in an institution, I wonder if I would apply for a 3-year grant gambling at the end of 3 years I might be able to reapply again, when I have the possibility of getting a 7-year grant.

Is it realistic to have these two forms of grants, as far as duration is concerned?

Dr. **Berry**. We hope it is realistic, because the 7-year grant is designed for longer term planning purposes. A financial vice president for example must figure out what he wants to engage his institution in and make a commitment to engage in certain activities for 7 years at his institution.

With the shorter term grant, you have no expectation that you will receive money beyond the 1 year or 3 years or whatever. So you would have to weigh the likelihood, and whether you wanted to do something for a longer term or not. I think there will be institutions that will apply for a longer term grant.

Our experience with the AIDP, which Al talked about, indicated that this would be the case.

Mr. **Ratchford**. Would there be any prohibition to applying for both types of grants?

Dr. **Berry**. Not at the same time. The idea is to pick one or the other.

Dr. **Moyé**. The 3-year grant is renewable, though we are not saying that an institution which receives a 3-year award will automatically be renewed. Those decisions will be made upon the merits of each application.

Mr. **Ratchford**. Well, your testimony on the 7-year grants is a one-time grant.

Dr. **Berry**. The 7-year one is.

Dr. **Moyé**. Our experience shows that institutions will opt for the longer term grant, especially when they feel that they are progressing well enough that this large 7-year grant will put them over the hump, so to speak.

Mr. **Ratchford**. Aren't both of these really getting back to what Chairman Ford said, a rationalization for not having a long term Federal commitment to these programs?

Dr. **Moyé**. I think we are encouraging the institutions to do the kind of planning and growth development that will make them self-sufficient.

Dr. **Berry**. It is not trying to avoid a long-term commitment to the program. It's trying to avoid wherever possible, a longer commitment than necessary to an institution.

Mr. **Ratchford**. I am encouraged by the increase in dollar commitment from the administration, but troubled again, because when I see these various combinations 3 years and 7 years or 4 years or combinations, I really view those as being rationalization for not getting to the essence of it, which is a commitment to funding. So I hope what we don't have here is another formula for avoiding a commitment under the title III documents where there is a requirement for a comprehensive development plan.

I served as commissioner on aging in Connecticut and we were required to go through this exercise of State plans. I often wondered if anyone at the Federal level ever looked at the plans once they were received.

Dr. **Moyé**. We certainly intend to do so. This is the measure for us as to how well the institution is doing. We have no real guideline right now.

Under the present system, we must look at individual activities in proposals each year and have no long-term plan against which to evaluate these proposals.

Mr. **Ratchford**. How do you envision following up on the plan once it is received?

Dr. **Moyé**. I am not prepared to give you any details on that, but certainly in our monitoring efforts we will go back to the original plan to see that the institution is progressing along the lines that it outlined in its plan.

Mr. **Ratchford**. I would certainly support the planning, but would hope at some point to have the details as to how the follow-up would occur. I have heard people at the State level say time after time when they go through this exercise that it's a paper exercise designed to meet a Federal requirement, and once that requirement is met there is no followup.

Planning is essential, but if monitoring doesn't occur, it really is one phase in the process and does not go far enough.

Dr. **Berry**. One of the reasons for putting this in is so there will be a basis for using what they in fact said they would do and being able to go out there and look at it.

Mr. **Ratchford**. I would hope that would occur.

Thank you.

Mr. **Ford**. Thank you very much.

One question that comes to my mind—what does the administration have in terms of years? I haven't look at at it in terms of the length of time, how many years?

Dr. **Berry**. Fiscal 1985.

Mr. **Ford**. Can you get the applicants for the 7-year program to agree to waive their constitutional right to come in at the end of 5 years and get this lifted the next time around?

Dr. **Berry**. That is a fine point, Mr. Chairman.

Thank you.

Mr. **Ford**. Some of the other members may well be here to deal with that in 5 years, but I have in the back of my mind the idea, in answer to Mr. Ratchford's problem, based on past experience with this program, I would take the chance on seven and take the further chance on the probability of being able to get that knocked out next time around because it didn't work.

Mr. **Buchanan**. I wanted to ask the record be left open, because I have a long series of questions that I think might be helpful for the record.

Dr. **Berry**. We will look foward with pleasure to receiving them.

Mr. **Buchanan**. Thank you.

[Responses to questions referred to above follow:]

Department of Health, Education, and Welfare,
Office of the Assistant Secretary for education,
Washington, D.C., August 31, 1979.

Hon. John H. Buchanan, Jr.,
House of Representatives, Washington, D.C.

Dear Mr. Buchanan: This letter is in response to your request for information on the Title III, Strengthening Developing Insitution Program.

We have enclosed responses to all of the questions raised in your letter of August 5, 1979.

If I may be of any further assistance, please feel free to contact me.

Sincerely,

MARY F. BERRY,
Assistant Secretary for Education.

Enclosure.

REPORT TO CONGRESSMAN BUCHANAN ON THE ADMINISTRATION'S REAUTHORIZATION PROPOSAL FOR TITLE III OF THE HIGHER EDUCATION ACT

QUESTION 1

(a) The Administration's proposed language for the Title III program deletes reference in the current law to the bi-lateral and consortium arrangements. Although there is no mention of them in the law, is it the position of the Administration that the funded Title III institution could, under the Administration's proposal, use their grant money in cooperation with either an assisting agency or insitution(s) of higher education?

The Labor-HEW Appropriations Committee expressed concern about the mandatory nature of the cooperative arrangements in its most recent Senate Report. We have therefore proposed under the Administration's proposal, that a developing institution may enter into a cooperative arrangement with an assisting agency or institution of higher education. The grantee institution may pay the assisting agency or other institution for its services with grant funds. Grantee institutions would no longer be required to enter into cooperative arrangements in order to spend grant funds.

(b) If so, how does OE intend to clean up the problems that have surfaced with the consortia currently funded under law? (i.e. Would an institution that is not eligible to compete for Title III funds be eligible to participate in a consortial arrangement?)

Under the current program regulations, every participating institution receiving services from a consortium arrangement must be a developing institution and must receive services in proportion to its share of the grant (45 CFR 169.22(b)(2)(iv)). Consequently an institution that is not designated as a developing institution could not, under the regulations, receive services from the consortium. To strengthen funded cooperative arrangements, the program has proposed competitive selection of assisting institutions. It has also proposed requiring each grantee to submit a copy of each cooperative arrangement agreement which will detail the services to be provided and the fee schedule. Applicants would delineate the monitoring procedures to be used to ensure that services are rendered in accordance with the written agreement. In addition, the assisting institution or agency would include the following terms and conditions in the contract.

A statement of work or services to be performed.

A time schedule for performing such work or services.

A description of the qualifications of the institutions or agency for carrying out the work to be performed.

A payment schedule including a statement that payments will be made upon completion of services.

Reporting requirements, including an agreement with assisting agencies or institutions which requires that the agency will submit regular progress reports to the developing institution (grantee) which is responsible for forwarding a copy of such reports to the Grants Officer in the Office of Education.

Retention and access to records provisions are to be clearly spelled out in the agreement.

Termination rights for the developing institution should be included.

A detailed breakdown of the assisting agency or institution, budget (fees) for each year, i.e., cost for all services.

Provisions assuring that the grantee will retain supervision and administrative control over the provision of services under the agreement, as well as any other special conditions appropriate to the agreement.

Signatures. The agreement shall be executed by both parties (developing institution and assisting agency or institution) only if and when the application is funded. A covering letter of commitment from the assisting agency or institution signed by the President or designee should be included with the letter of agreement in the application stating that the institution or agency will carry out fully its part and purpose in implementing the program, if the request for Federal funds is granted and the cooperative arrangement is consummated.

(c) What funds management system would be established so that grant money can be effectively accounted for?

Funds management has been improved at both the grantee level and within the Title III program itself.

The Title III program has developed and submitted for Department approval a new set of application guidelines which would require fiscal year 1980 grantees to implement administrative and fiscal procedures that will assure effective and efficient program operation. These procedures would include (1) the integration of supported activities into the structure of the institution, (2) provisions that assure that Federal funds are used to supplement and not supplant institution funds, and (3) fiscal controls and accounting procedures that will allow the institution to manage and account for Title III funds as well as assistance provided from other Federal programs, such as student assistance programs. In addition, the grantee would use competitive selection in its choice of an assisting agency. It would provide and abide by a written agreement detailing the services to be provided by the assisting agency and the payment schedule to be followed. Both the grantee and the assisting agency would be required to submit regular progress reports to the Title III program staff. Detailed budgets would be provided and adhered to by both the grantee and the assisting agency.

(d) Would there be a limit to the number of institutions able to participate in a consortia?

In the new Rules and Regulations for the Title III program (Federal Register, March 30, 1979), "the size of a consortium arrangement is limited to the number of institutions that can be effectively and efficiently served." A consortium must address this issue in its application.

(e) What would be the appropriate role of an assisting agency?

The appropriate role of an assisting agency is to provide technical assistance and other services which the developing institution needs and which it is unable to provide for itself. This technical assistance, for example, may be in the form of the development of more efficient management, accounting and information systems, consulting on the planning for a fund raising drive for the college's endowment, or expert assistance on faculty and curriculum development. The assisting agency is called upon to provide expert assistance after the developing institution has assessed its needs and has analyzed the resources necessary to address those needs.

(f) What auditing requirements should be established for assisting agencies?

The proposed agreement between the grantee and assisting agency would require the agency to be subject to substantially the same audit requirements as the developing institution. This required Letter of Agreement would include a section on reporting requirements, retention of and access to records, and an assurance of compliance with Federal regulations.

(g) Should there be an institution match?

Requiring grantee institutions to provide matching funds for all Title III activities would severely restrict the ability of the institutions most in need to pursue substantial projects by limiting the funding they requested to a sum they could match. These institutions already contribute the time and services of staff and faculty, and as the projects continue, grantees are encouraged to absorb project activities into their institutional budgets.

The new one-year challenge grants do require an institutional match. These special grants will enable an institution to invest a portion of its funds in a special project that will strengthen the institution without depleting its already limited resources.

QUESTION 2

In Acting-Commissioner Berry's testimony, she referred to the fact that during the development of new regulations for the Developing Institutions Program, 51 different measures of institutional viability were considered.

(a) Could you please submit for the record a list of those measurements and a summary of why HEW chose the measures which are outlined in the final regulations for the program submitted on March 30, 1979, and which became part of the proposed change in law?

In the development of the new regulations, the Office of Education sought a group of statistical measures that was supportive of the legislative intent and could be used as eligibility criteria to designate institutions as developing. Those factors selected were to measure the wealth of the institution and the financial status of the student body. Furthermore, the statistical data was to be consistent, current, complete, sensitive to yearly fluctuations, accurate, available and easily obtainable. A list of the factors reviewed is attached.

As measures of institutional wealth, the Higher Education General Information Survey (HEGIS) financial statistics met all of these criteria. In order to account for the differences in size of institutions, these statistics were divided by full-time equivalent enrollment (FTE). Analysis indicates that most of the HEGIS financial data items were highly correlated with total Educational and General expenditures. Thus, rather than using several measures that are covariate, it seemed more logical to use just one measure. Educational and General expenditures per FTE was thus selected as one eligibility criteria.

The second criteria chosen, BEOG disbursements per FTE undergraduate enrollment, stood out clearly from the other available statistics as the best overall measure of student wealth at an institution. This measure, easily obtainable from the Bureau of Student Financial Assistance within OE, combined several measures of the students' financial position into one. It was found to be highly correlated with the average parental income at an institution while also accounting for family size, student income, and assets of the BEOG recipients. Overall, it was found to be the best measure of student neediness.

LIST OF FACTORS MEASURING INSTITUTIONAL STATUS

The following is a listing of the possible measures examined in an effort to select the most effective criteria for the identification of developing institutions:

FTE Enrollment (2-year and 4-year schools).
FTE Faculty.
Number of Graduates (Baccalaureate or Associate Arts).
Number of Ph. D.'s.
Percentage of Ph. D.'s.
Professor's Salary.
Instructor's Salary (4-year schools only).
Average Salary (2-year schools only).
Percent going to Graduate School (to 4-year schools for 2-year colleges).
Percent completing the first year.
Ratio of Baccalaureates or AA's produced to total enrollment.
Number of Low-Income Students.
Percentage of Low-Income Students in total enrollment (headcount).
Percentage of Low-Income Students on Financial Aid.
Number of Minority Students.
Percentage of Minority Students (headcount).
Per-Capita Student Aid income per low-income student.
Educational and General Total Expenditures.
Per-Capita E&G Expenditures per FTE Student.
Per-Capita Library Volumes per FTE Student.
Total Library volumes.
Percent from Endowment Earnings.
Percent from Gifts and Grants.
Amount from Endowment Earnings.
Amount from Gifts and Grants.
Total Endowment Fund.
Percent from State and Local.
Amount from State and Local.
Per-Capita from State and Local.
Percent from Federal Sources.
Amount from Federal Sources.
Percent (Sources not defined).
Amount (Sources not defined).

Other criteria reviewed are discussed below:

OE studied use of the Consumer Price Index (CPI) to adjust for regional factors but found that the CPI has no relevance as an across-region measure of cost of living.

The Bureau of Labor Statistics' Urban Family Budgets for Selected Urban Areas relates only to selected urban areas, not all urban areas and not non-urban areas. Furthermore, the household budget data do not accurately portray the cost of operating an educational institution.

Regional indexes and budgets do not take into account differences between areas within regions, for example between New York City and upstate New York. It also is not clear that faculty salaries, the largest part of E&G expenditures, would be higher in all high-cost areas or lower in low-cost areas.

OE also studied regional cost differences in Basic Grants and found that a student from a low-income region attending a higher-cost institution would have higher living costs and, thus, be entitled to a larger size BEOG award.

The inverse of the Student Eligibility Index (SEI) proves to be almost perfectly correlated with the BEOG award. This is reasonable because: The higher the SEI, the lower the BEOG award.

Using income levels or regionally adjusted income levels proved not to be feasible, since income levels do not take into account family size, amount of assets, and other indicators of need already calculated in BEOGs.

Different student financial aid data did not prove useful: SEOGs are too limited in terms of the number of eligible students. NDSL and CWS grants are less need-based than BEOGs. Many middle-income students qualify for those programs. In 1980 there will be no income limitation on Guaranteed Student Loans.

OE also considered, as one alternative measure, the average unconstrained BEOG per FTE undergraduate to determine whether the BEOG "half cost rule" affected institutions' scores in the Title III BEOG points scheme. The analyses showed the unconstrained BEOG and the actual BEOG to be almost perfectly correlated overall and when scores are compared within type and control considerations.

An institution can easily determine its BEOG disbursements. SEI or unconstrained BEOG awards could be used, but they would virtually yield the same results while being more difficult for the institution to report.

Some of the suggested criteria are not quantifiable and, therefore, impossible to index. These include academic preparation of the faculty, past performance of future plans of the institution, the institution's background, or effectiveness of management procedures.

(b) Were there any statistical runs conducted to show how these factors would affect various types of institutions? If so, when were those available to the public? Could you please submit them for the record?

Yes, statistical runs were conducted on the selected criteria by type and control of institutions and by state. These were made available upon request. A copy of the most recent run for FY 1979 can be found in Appendix A.

QUESTION 3

There exists a National Advisory Committee on Black Higher Education and Black Colleges and universities. In their recently released report entitled "Access of Black Americans to Higher Education: How Open is the Door?", there was no specific recommendation on how the Title III program should be altered. Were there any recommendations received by the Secretary from this committee?

It is correct that there were no specific recommendations concerning Title III in the report entitled "Access of Black Americans to Higher Education: How Open is the Door?" However, a number of specific recommendations were made to the Secretary by the Committee relative to the reauthorization of Title III. In addition in a separate letter to Secretary Califano, the Committee added to its previous recommendations a resolution that "Title III of the Higher Education Act be made explicitly for the benefit of Black colleges and universities." A copy of these recommendations and a copy of the resolution are attached in Appendix B.

The recommendations were distributed by the Committee to DHEW officials and interested organizations such as the National Advisory Council on Women and the National Association for Equal Educational Opportunity.

QUESTION 4

(a) In Acting-Commissioner Berry's statement, she indicated that the measures to determine an institution's need were selected on the basis of serving those institutions that the Congress intended be served. For the years that this program has been funded, the Congress has heard repeatedly from the Office of Education that the Congressional intent is unclear, a fact which has caused the program to be in disarray for years. To what were you referring when you indicated that the indices of measurement were "examined to determine those institutions that the Congress intended to be served?"

In developing the new eligibility criteria which were published in the Federal Register on March 30, 1979, the specific language in the law describing the purpose of the Title III program was used. Two characteristics of developing institutions were taken directly from Sec. 302(a)(1) of the Higher Education Act: (1) struggling for survival for financial or other reasons, and (2) isolated from the main currents of academic life.

The average educational and general expenditures per full-time equivalent student provided a measure of whether an institution was struggling for survival for financial or other reasons. Furthermore in analyzing what types of institutions were isolated from the main currents of academic life, it was felt that an institution's commitment to serving a substantial proportion of low income students in conjunction with its limited financial resources were characteristic of isolation.

(b) During the conference on the Education Amendments of 1972, the conferees agreed to drop from the legislation a Senate provision which would have required "that not less than 50 per centum of Title III funds be used for institutions which enroll a significant proportion of students who have had inadequate secondary school preparation or have come from educationally, culturally, or economically deprived backgrounds." That provision was struck from the conference document and did not become part of the law. It was clearly the Congress' intent that Title III, the major institutional aid program under the Higher Education Act, be tied to factors relating to institutional need, as opposed to the Administration's current recommendation as an extension of the financial aid programs. What legislative precedent gave the Office of Education guidance in determining it was student factors that the Congress intended be used to determine eligibility for Title III rather than institutional factors?

The language which was deleted by the Conference Committee is considerably different from the measures now being used to identify institutions eligible to participate in the Title III program.

One of the two new criteria is explicitly an institutional one (average instructional expenditures per full time equivalent student). The second criterion, while it utilizes information from one of our student financial assistance programs is also an attempt to measure the impact upon the institution of the characteristics of its student body. We are not recommending that Title III become "an extension of the financial aid programs."

We have found, however, that many institutions experience financial difficulties precisely because they provide access to high proportions of low-income students. While the percentage of students in attendance is not a direct measure of institutional condition, it is a relatively effective means of identifying institutions with significant numbers of students who because of low-income are eligible for Federal support. An institution which enrolls a substantial proportion of low income students and has expenditures for instructional activities which are relatively low per student enrolled is, we believe, the kind of institution which Congress intended the program to support. The criteria selected more sharply define the population eligible for program assistance than the language found in the legislation.

QUESTION 5

The Administration's proposal provides eligible institutions with an option of applying for one of two types of awards: three-year awards, with the option of recompeting, or seven-year awards, designating a final award under the program.

(a) What incentive would there be for an institution to ever compete for a seven-year award? If they could continue to recompete under the three-year option, the provisional "maximum grant" does not seem to be workable. How are these programs different from the basic and advanced programs?

The incentive for an institution to apply for a seven-year award is that these awards will be substantially larger than three three-year awards.

The seven-year awards are different from the former Advanced Program in two important ways:

1. There is an absolute prohibition against receiving a second seven-year award. No such explicit prohibition existed in the Advanced Program.

2. A recipient of a seven-year award may not apply for a three-year award after the seven-year grant has expired. Institutions which had received multi-year awards from the Advanced Program were not prohibited from applying for funds under the Basic Program at the expiration of their multi-year grant.

Could an institution apply under both programs simultaneously?

No, under Section 304(b)(1)(B) of the Administration's proposed legislation, an institution will not be permitted to apply for a three-year and a seven-year grant simultaneously. Under the old Basic and Advanced Programs, institutions could apply simultaneously for both programs. Many problems were encountered because the Office of Education was required to decide which program was more appropriate for a particular institution. Therefore, the institution must declare which type of grant it is applying for, and it may only apply for one three-year grant or one seven-year grant at a time.

(b) Would the size of the awards be significantly different under the three and seven-year options?

Yes, the seven-year awards will be significantly larger than the three-year grants.

(c) Would an institution receive the award in yearly installments? Or would they have access to the money to use it at whatever pace they determined?

The flow of money to an institution would be determined in a large measure by the kinds of activities supported and on an institution by institution basis. While we expect to fund a significant number of grants from one year's appropriation, those funds would be distributed by the grantee institution based on need and satisfactory performance.

(d) Should an institution have to use all of its award in the fiscal year granted? Under what conditions would a carry-over be permissible?

An institution would normally be expected to use all of its award for one year of a multi-year award in the year for which it is budgeted. However, if an institution could not effectively use all the funds allotted to it for one year, it would be permitted to continue to spend these funds in a subsequent year with appropriate adjustments in subsequent years' funding.

(e) Should institutions which have already received multiple years of funding be eligible to compete for only the seven-year grant?

No, an eligible institution will be permitted to compete for either a three-year or a seven-year award, regardless of its previous history of program participation.

(f) What objection would there be to prohibiting an institution from recompeting for a three-year grant until all other eligible insitituions had been funded at least through one three-year cycle? This would establish a policy of not giving preference to already-funded institutions.

Prohibiting a grantee institution from recompeting until all eligible insitutiions have been funded would change a merit competition program to one of entitlement for any institution which meets the eligibility criteria as a developing institution. This is counter to the purpose of a discretionary grant program which makes grants based upon the soundness of the proposal and the degree to which the proposal addresses the purposes of the program. Under the proposed legislation, the program will continue to make awards based upon the merit of individual proposals. However, an institution which receives a three year grant will not be permitted to receive a three or seven-year grant until its first grant has expired.

QUESTION 6

The Administration's proposal provides for the creation of a new "challenge grant" program. It is unclear if the Administration intended to restrict the use of monies (at least the Federal portion) to the types of development outlined in Sec. 304.

(a) Could an institution use the challenge grant money for any developmental purpose they determined? Should an institution be prohibited from using the challenge grants to create endowments?

Section 306 of the Administration's proposed Title III legislation states that a Challenge Grant is subject to the same requirements applicable to other grants made under Title III (except that the Challenge Grant application must contain information regarding matching funds and—in the case of public institutions—state agency comments).

Institutions which contribute to the educational resources of the nation and are struggling for survival are often characterized by inadequate endowments. Fundraising activities to include endowments would be a desirable way to build economic stability and independence at eligible institutions. The strengthening or creation of endowments, with appropriate safeguards is one of the fundraising activities which could be supported under the proposed amendment to the legislation. Challenge Grant activities would have to be consistent with the institution's comprehensive development plan.

(b) Could a graduate school whose undergraduate institution is not otherwise eligible to compete for Title III awards be eligible to compete for challenge grant money?

No graduate schools have been designated developing institutions. Grants have been awarded to institutions with graduate programs. Graduate schools would not be eligible for Title III support where the undergraduate component of the institution is not eligible to participate in the program.

(c) There is no maximum number of year under which an institution can compete for challenge grant monies. What is the Administration's objection to tying a limit of participation onto this section?

Challenge grants are significantly different from other awards because they require an institution to contribute significant amounts of its own resources to the proposed activity. At least at the outset of the challenge grant program, it is the Administration's position that as long as an institution submits proposals which merit funding and as long as it is willing to contribute significant sums to the proposed activity, a limit on participation is inappropriate.

QUESTION 7

The purpose of the Advisory Council on Developing Institutions is, as outlined in the Administration's proposal, to (1) identify developing institutions and (2) assist the Secretary in establishing any criteria for making grants under this selection. These responsibilities do not differ significantly from those existing in the statute.

(a) If an institution's eligibility to compete for funds is to be determined on a quantifiable scale, what purpose does the Advisory Council serve in determining and identifying developing institutions?

The Advisory Council's role in relation to the identifying developing institutions is to develop overall policies and procedures relative to eligibility.

(b) How have the nine members of the existing Advisory Council been selected? Has there been a sensitivity to assuring that all types of institutions are equitably represented?

The nine members of the Advisory Council have been carefully selected to represent as many of the constituencies of the Title III program as possible. Factors considered in the selection of Council members include geographic distribution, the type of institution which a candidate represents and whether it is public or private, the race/ethnicity and sex of the candidate, and the candidate's area of expertise. Extension efforts are made to assure balance among the various constituent groups and to obtain adequate representation from each group. The Council has an authorized membership of nine persons. Currently there are five appointed members including black, Hispanic and Native American members, one of whom is a woman. These persons represent public as well as private institutions, and Indian Tribal Association, a developing institution, and a member of the management consulting field. In filling the four vacancies consideration will be given to candidates from "developed" institutions, community colleges, females and those representing areas of the country no currently represented.

(c) What specific recommendations have the Advisory Council made in reference to the proposed changes which the Administration has submitted? Has the Advisory Council reviewed and commented on them?

At the June meeting of the Advisory Council, the major portion of the agenda was devoted to new program directions. Most of that discussion centered around views individual members had with respect to needed legislative changes. Sharpening the definition of a "developing college" and funding activities specifically related to the institutions' long range plan were central themes. Their formal recommendations will be made as part of their annual report which will be released in Fall, 1979.

QUESTION 8

In a recent press release, then-Secretary Califano indicated that the Federal government is providing nearly $320 million per year to support black colleges and universities. Could you please list the forms of that aid and the programs from which it comes. (Press release dated June 13, 1979).

Table I list by program the amount of funds awarded to Black institutions for fiscal year 1978 by the Office of Education. The categories of support include student assistance funds, research and demonstration contracts/grants and funds for facilities and equipment. They totaled approximately $265.3 million dollars. Table II gives a breakdown of the $320 million awarded by all HEW components to Black colleges and universities.

TABLE—1.—FISCAL YEAR 1978 FUNDING TO HISTORICALLY BLACK INSTITUTIONS

[HEW/Office of Education—Department/Agency]

Name of program	Total obligations to all colleges and universities	Total obligation to historically black colleges
Fellowship abroad for doctoral dissertation research in foreign language and area studies (13.441)	$1,532,147	
Research and demonstration for the handicapped (13.443)	8,467,039	$115,000
Early education for handicapped children (13.444)	4,999,439	109,000
Media services and captioned film loan program (13.446)	1,911,426	
Personnel training for the education of the handicapped (13.451)	33,704,033	1,608,000
Strengthening developing institutions (13.454) [1]	119,470,000	53,027,854
College work study (13.463)	428,090,674	33,323,018
Librarian training (13.468)	1,785,407	162,748
National direct student loan program (13.469–470–471)	308,304,157	7,445,820
Library research and demonstration (13.475)	563,844	
Student special services (13.482)	43,014,144	6,014,117
Talent search (13.488)	5,062,016	1,099,722
Teacher corps (13.489)	15,655,049	1,195,290
Upward bound (13.492)	46,892,962	8,146,467
Vocational education—curriculum (13.496)	116,875	
Vocational education—program improvement projects (13.498)	736,302	
Vocational education graduate leadership development awards (13.503)	1,587,975	
Cooperative education programs (13.510)	14,865,510	480,906
Environmental education (13.522)	746,338	50,222
Organizations (13.529)	1,451,174	
Desegregation assistance grants to nonprofit organizations (13.529)	1,451,174	
Desegregation assistance, special programs and projects (13.532)	1,015,989	
Right to read (13.533)	2,366,750	62,901
Indian education—special programs and projects (13.535)	1,278,663	
Basic educational opportunity grants (13.539): (fiscal year 1977 data)	1,512,357,833	125,384,512
Educational opportunity centers (13.543)	1,456,274	
Ethnic heritage studies (13.549)	781,319	
Career education (13.554)	1,358,899	
Education for the public service (13.555)	3,902,810	96,595
University community service—special project (13.557)	1,739,373	93,600
Bilingual vocational training (13.558)	713,995	
Regional education programs for the handicapped (13.560)	797,059	
Metric education (13.561)	533,819	46,782
Gifted and talented children (13.562)	293,231	56,792
Community education program (13.563)	454,545	
Consumer education (13.564)	1,088,860	
Women's educational equity (13.565)	2,441,782	208,913
Domestic mining and mineral and mineral fuel conservation fellowships (13.567)	4,453,800	
Indian education (13.569)	1,273,258	27,260
Strengthening research library resources (13.576)	3,034,333	
Vocational education certification fellowship program (13.578)	1,614,658	61,215
Graduate and professional opportunities program (13.580)	3,230,940	51,000–117,000
Law school clinical experience program (13.584)	970,000	95,190
Bilingual vocational instructor training	498,306	
Vocational education contract program for Indian tribes and Indian organizations	147,357	
Annual interest grant program	28,733,844	449,334
Incentive grants for State student financial assistance training (13.582)	55,969,617	1,142,375
Regional resource center (13.450)	9,750,000	174,924
College instructional equipment (13.518)	7,500,000	110,649
Veterans cost of instruction (13.540)	23,750,000	451,775
Land grant colleges (2d Morrill Act) (13.453)	2,700,000	351,000

TABLE—1.—FISCAL YEAR 1978 FUNDING TO HISTORICALLY BLACK INSTITUTIONS—Continued

[HEW/Office of Education—Department/Agency]

Name of program	Total obligations to all colleges and universities	Total obligation to historically black colleges
University community services (13.491)	15,850,000	600,000
Total Office of Education funding	3,066,129,548	265,313,380

---

[1] Awards under the strenthening developing institution program are for more than 1 year. Since the majority of these historically black colleges will have received multi-year awards prior to fiscal year 1980, support for this program is shown using estimated flow funds rather than obligations. The total fiscal year 1978 obligation for the strengthening developing institutions program was $59.085,322.

Table 2.—HEW fiscal year 1978 funding to black colleges and universities—total obligation May 1979

HEW components:	*Institutions*
Public Health Service	$40,354,000
Office of Human Development Services	14,863,000
National Institute of Education	193,000
Assistant Secretary for Education	283,000
Social Security Administration	545,000
Office of Education	265,314,000
Total	321,552,000

NOTES.—All figures have been rounded.

QUESTION 9

The Administration's proposal suggests a new purpose under the Title III program which would provide Federal support to institutions to improve (1) the academic quality, (2) institutional management, and (3) fiscal stability of the developing institution.

(a) What types of development activities would be allowed under this broad and general construction? What limitations and restrictions (other than those listed in Sec. 308) would be specified?

The language which the Administration has proposed for Title III permits us to fund a broad range of development activities. Sec. 304 specifies that the Secretary may award grants to assist an institution to plan, develop, or implement activities that promise to strengthen the institution's academic quality or institutional management or otherwise provide for institutional self-sufficiency and growth." Given this broad language, it would be possible for us to support a wide range of activities as long as they strengthen the institution. The Administration proposal would permit us to support such activities as the development of new academic programs, seminars and workshops for faculty, improved student counseling services, and projects to improve the management skills of administrators. We would not, however, fund income producing activities or facilities except under the challenge grant authority.

(b) We are entering a period of declining enrollments, shrinking dollar and limited resources. How can an institution demonstrate that it is improving its fiscal stability? What measure would be used to determine this?

There are a number of ways in which an institution may demonstrate that it is improving its fiscal stability. Among them are:

1. Reduced deficit spending.
2. Improved ability to maintain records.
3. Increased endowment funds.
4. Decreased reliance on Federal funds.
5. Improved planning capacity and information systems.

In addition, an institution must demonstrate, in its application for Title III funds, that it is taking steps to improve its administrative capacity. An institution receives extra points during the proposal evaluation process if it demonstrates that the proposed activities will "contribute to the long term stability of the institution and overcome the circumstances that threaten survival" (Regulations, Sec. 169.53). The institution's regular progress reports on those funded activities that are directed toward improving its fiscal stability should enable the program to evaluate the institution's progress.

(c) The Administration has recently begun to define the program's purpose as one to "strengthen" developing institutions, as opposed to the notion that an institution would reach the mainstream of education" or a state of development. If the criteria are changed to target institutional aid dollars to those schools enrolling low-income students (favorably measured under the current regulations by a high number of Basic Educational Opportunity Grant recipients), aren't we theoretically talking about any intitution qualifying if they are able to recruit a high enough number of BEOG recipients?

Also, a developing institution must show relatively low instructional exenditures as well as service to a substantial percentage of low-income students. Institutions do not qualify by the number of low-income students in their student body, but rather by the percentage of the student body which is low-income. Thus an institution with a large number of low-income students where that number is a low percentage of the total student body would not qualify for Title III support.

(d) What disincentive would there be for an institution to engage in recruitment activities to increase the number of low-income students?

The greatest disincentives to recruiting large numbers of low-income students are fiscal instability and bankruptcy. The tuition paid by the student body, particularly at low-cost institutions almost never meets the educational or administrative costs of an educational institution. The additional funds are normally provided through public and private subsidies or through endowments. It is certainly true that the 120 million dollars spread over three hundred institutions does not provide an incentive to attract additional low-income students.

(e) As evidenced by the passage of the Middle Income Student Assistance Act last year, the Congress is expanding the opportunities for higher education to middle-income students. What projected impact will this have on the determination of eligibility under the program, assuming that similar regulations would be used under the Administration's proposed changes to the statute as are in effect now? Will more institutions qualify as "developing?"

It is our belief that the Middle Income Student Assistance Act will have a negligible impact upon the Title III eligibility determination process. Basic Grant awards to middle-income students will be on the average, relatively small and should not significantly affect the ratio of average Basic Grant award per full-time equivalent student. Since eligibility scores are ranked only within institutional categories, the increase in total Basic Grant awards for each institution will probably be relatively constant within each of the four institutional groups (2-year/4-year and public/private).

QUESTION 10

Other than providing a 50 percent match for public institutions applying for challenge grants under the Administration's proposed Title III, the States are not given a strong role in planning.

(a) What should be the State's role in planning for comprehensive postsecondary education, specifically as it relates to Title III?

The State's role in planning for postsecondary education varies widely among the fifty states. Some states have strong relationships with all institutions of higher education within their borders, some by law, restrict their activities to the state public institutions. Some state agencies seek strong involvement, others restrict their activities to comments only when requested. It would be difficult to contruct a consistent state clearance process which would not put federal objectives in conflict with state policy and procedure or without shifting the cost of application review process from the federal government to the state government.

(b) Should the States be able to comment on the application for a Title III grant award before it is sent to the Office of Education? What limitations should there be on the involvement in the Title III program?

Nothing in the present law or proposed amendments would prohibit state comments on program applications. In specific instances regulations require that program proposals be consistent with state policy or require state comment. The awards, however, are made to individual institutions, both public and private, and it is the responsibility of these individual institutions to administer and account for the Federal funds.

QUESTION 11

Many institutions that have participated in the Title III program in the past have been ruled ineligible to compete under the existing and recently established regulations. The reason for this, in some instances, is that the institution is a branch campus of a major institution that, in itself, would not qualify for Title III assistance. Should the law provide for eligibility of a branch campus when that branch is independent financially from the main campus, providing it is otherwise eligible to compete for funds under the program?

The law, as presently written, clearly states that Title III can only fund institutions of higher education that meet certain accreditation requirements. The Office of General Counsel has interpreted this as meaning that a branch campus must be sufficiently independent of the main campus so that it could be considered as a separate eligible institution in its own right. They advised that to demonstrate this independence, the "branch campus" must, as a minimum, be separately accredited, must control its own budget and personnel actions in contrast to having such control in the main campus and that the chief administrative officer must not report directly to an official of another institution of higher education (such as the president, chancellor, or dean of another college or university).

The Administration's proposed amendments to the HEA would sever the link between private accreditation and institutional eligibility for all Higher Education Act programs, including Title III. Therefore we would no longer check the accreditation status of a branch campus. Under the Administration's proposed legislation a branch campus would normally be eligible for Title III if: (1) it has been licensed by the State, (2) it is independent with regard to finances and personnel actions, (3) its chief administrator reports to the governing board or to some state agency, rather than to an official of another college or university and (4) it meets all other Title III eligibility requirements.

Section 308 addresses the limitations and funding restrictions for Title III grant awards. Several of the traditionally black public institutions of higher education are located in States that are now under court order (*Adams* v. *Califano*) to disestablish their dual systems of higher education. The court was specific that in order to effectively complete this task within the five-year period of time, the traditionally black institutions must be brought up to a level of educational quality equal to that of the predominantly white public institutions within the State. Each State under court order has filed a plan with the Office for Civil Rights describing that State's plan for desegregating their public institutions of higher education.

(a) Would there be any objection to changing Sec. 308(2) to read:

"(2) For any activity in any public institution of higher education located in a State which is under court order to disestablish its dual system of higher education that is not specified in the State plan for bringing that institution into compliance within the time period allotted under the court order. In the event that the grantee institution has complied on all points with the State plan for desegregation, or in the case where the grantee is not located in a State which is under court order to desegregate, the grantee may use funds under the title for any designated purpose as long as the activity does not promote or enhance segregated educational activities."

The regulations for the Title III program, issued on March 30, 1979, provide language which prohibits the funding of programs which support segregative activity or which are inconsistent with State plans applicable to that institution Section 169.4(c) provides that:

(c) Each developing institution receiving a Title III grant shall assure that any activity funded under Title III will not—

(1) Establish, increase, or impede the elimination of segregated attendance patterns at that institution, or

(2) Be inconsistent with a State plan applicable to that institution.

We believe that the regulatory language when read with the proposed legislative language is adequate. It was designed specifically to accommodate the complexities of mandated college desegregation. The Administration's proposed language is preferable to the language proposed by Congressman Buchanan (hereinafter "recommended" language) for the reasons set forth below.

The first clause of the recommended language (through the first period) is narrower in scope than the Administration language in that it applies (1) only to public institutions and (2) only to institutions in States subject to court order (under *Adams* v. *Califano*) to desegregate a dual system of higher education. The Administration language could possibly affect private institutions and institutions outside Adams States.

With respect to those institutions covered by the first clause of the recommended language, however, the effect of the recommended language would be much broader than that of the Administration language. While the Administration language forbids only activities "inconsistent" with a State plan for desegregation of higher education, the recommended language forbids any activity not "specified" in a State plan for bringing an institution into compliance with a court order. Thus an institution subject to the recommended language could use Title *III funds only for activities* specified in a court-ordered desegregation plan.

Comments on the complete sentence of the recommended language

The rule stated in the complete sentence of the recommended language applies to two classes of institutions.

> The first type of institution referred to is one which is covered by the clause discussed above but which "has complied on all points with the State plan for desegregation." This language is unclear because it does not specify who would decide whether such compliance has been achieved.
>
> The second type of institution referred to is one which is either public or private and which is not located in an Adams State. We do not see the logic of including in this class only those private institutions which are not in Adams State.

The rule stated in the complete sentence of the recommended language also generates questions and concerns about:

The meaning of "any designated purpose":

The standard of whether an activity "does not promote or enhance segregated educational activities." (This standard seems much more subjective than the Administration language's standard of whether an activity is "inconsistent with a State plan for desegregation of higher education applicable to such institution." We are unsure how decisions would be made under the recommended standard.)

Whether "segregated educational activities" has a commonly understood meaning.

The implications associated with legislative language discussing the absence of segregation rather than the promotion of desegregation.

(b) What is the Administration's reaction to including the two new subsections under Sec. 308:

"(3) for operational and maintenance or general expenses; or

"(4) for such purposes other than those outlined in the annual plan for development which was submitted to the Office of Education."

We do not feel that it is necessary to add legislative language specifically prohibiting the use of Title III funds "for operational and maintenance or general expenses." Section 304 of the Administration's legislation indicates that grants are made for *activities*, which have been described in an institutional application approved by the Secretary. Moreover, Section 305(b)(2) of the proposed legislation states that Federal funds under Title III will supplement and *in no case supplant* funds that would otherwise be available to the institution from other sources.

We also feel that it is unnecessary to add legislative language stating that Title III funds cannot be used for "purposes other than those outlined in the * * * plan for development which was submitted to the Office of Education." Section 305 (b)(1) of the Administration's legislative language requires that each institution's application for funds must set forth or describe how it will develop a comprehensive development plan . . . *including measurable objectives for* the institution and the Secretary to *use in monitoring the effectiveness of activities* under this title." (Emphasis added.) This language ties the evaluation of each activity's effectiveness to the extent to which it helps to implement the institution's comprehensive development plan. It is therefore highly unlikely that an activity would even be considered for funding unless it were consistent with the institution's development plan.

QUESTION 13

Deleted from the Administration's proposal for Title III was the provision that required an institution to be accredited by a nationally recognized accrediting agency or association. How would the program be safeguarded from institutions participating which do not provide a quality educational program? Would the absence of the Federal role in accrediting necessitate greater State participation?

Accreditation is only one of several statutory requirements that an institution must meet under current law to establish threshold eligibility for Higher Education Act Programs including Title III. In addition to being accredited, an institution also must be legally authorized by the state in which it is located and must meet requirements related to the level of program offerings and the type of student admitted. The Administration proposal deletes the accreditation requirement, but leaves the other threshold eligibility requirements intact.

Once an institution establishes threshold eligibility under the Higher Education Act, it must then meet the specific eligibility requirements imposed by the Title III program. We believe that this two step eligibility process, coupled with effective program monitoring efforts, will assure wise use of limited Title III funds.

In addition, we believe that our proposal eliminating Federal regulation of accrediting agencies will encourage each State to take greater responsibility for the quality of education—primarily through agreements with private accrediting agencies.

QUESTION 14

The Administration reverses the set-aside from the existing 76 percent to degree-granting institutions, and in its place suggests that not more than 24 percent go to community colleges. What is the purpose of this change?

Current law specifies that 76 percent of the sums appropriated for Title III may be used only for institutions which plan to award one or more bachelor's degrees during the funding year.

The Administration's bill specifies that not to exceed 24 percent of the sums appropriated for Title III will be available to developing institutions that are junior or community colleges and that the remaining appropriations are available to institutions that plan to award the bachelor's degree during the funding year.

The Administration's proposed language carries an element of increased flexibility. In practice, however, the existing 76–24 percent funding split between baccalaureate degree granting institutions and community colleges is expected to remain unchanged. The purpose of the proposed language is to preserve the existing funding ratio. Each class of institution would receive a greater sum if the authorization for the program is increased as recommended in the Administration proposal.

QUESTION 15

Under the current program and under the Administration's proposal, there is reference to the waiver for institutions located (1) on or near an Indian reservation or a substantial population of Indians, and (2) to any institution which the Commissioner determines is increasing the education opportunities for Indians and Hispanics. Under the present program operation, funds have gone to institutions to establish Native American and Hispanic programs which, while they might at first glance appear to substantially increase the higher educational opportunities for both groups, are not sensitive to the special educational needs of these groups. Is there any objection to making the waiver contingent on establishing education-need sensitive programs for these two groups, in addition to increasing their educational opportunities?

This question appears to blur the two issues of eligibility to apply for Title III funding and the actual awarding of a Title III grant. The waiver for institutions serving Native American and Hispanic students refers only to the eligibility process. After the institutions become eligible to apply, their proposed projects are evaluated, at least in part, on the basis of whether the programs are responsibe to the educational needs of these students. The Department makes every effort to select field readers who are sensitive to the needs of Native American and Hispanic students. These readers are employed to evaluate proposals from institutions which serve large numbers of Hispanic and Native American students. Their recommendations are considered as part of the funding process.

QUESTION 16

As part of President Carter's Black College Initiative, there is perceived to be a step-up in the Administration's focus on assisting the traditionally Black colleges. Specifically, how is the Administration proposing to do this? Other than a policy of general suport, what specific steps have been or will be taken to ensure increased assistance to the traditionally black colleges?

To increase assistance to traditionally Black schools, HEW is focusing its efforts on four specific areas: Data collection and reporting; grants and contracts; specific program initiatives; and personnel. Within these areas, Office of Education (OE) activities to date include:

Data collection and reporting

A task force has been developed to conduct an internal OE analysis of funding to Black schools. Reports are prepared which list the awards to Black schools, by program and individual institutions. OE will use this data to identify programs in which Black college participation has been inadequate. Based on the initial results of these analyses, all OE Bureaus have initiated remedial actions, as described below:

Grants and contracts

A task force has been set up which, in conjunction with the Bureaus, is attempting to eliminate problems that Black colleges face in competing for grants and contracts. A stong emphasis has been placed on technical assistance activities. (Refer to response No. 22).

Specific program initiatives

OE Bureaus have been instructed to intensify efforts to increase Black college funding in their various programs. Early results of these efforts include:

The funding of six Black colleges under a joint agreement between the Bureau of Occupational and Adult Education (BOAE) and the Office of Youth Programs, Department of Labor (OYP/DL). The funds, totaling $1 million for fiscal year 1979, are aimed at reducing the attrition rate.

The funding of "Upward-Bound" type projects at three Black institutions. BOAE, along with the Bureau of Higher and Continuing Education (BHCE) and OYP/DL have awarded $632,000 for these projects.

The award of a total of $90,000 to four Black institutions for the purpose of assessing the utility of Industry-Education-Labor action.

A commitment to increase Black college funding in three program components of the Bureau for the Handicapped in fiscal year 1981.

Personnel preparation

An HEW Personnel Preparation Task Force is now considering proposed activities to increase Departmental employment of Black college students and faculty members. Such proposals include:

The development of a recruitment plan in accordance with the Civil Service Reform Act of 1978 and Equal Edcational Oportunity and Office of Personnel Management regulations.

The establishment of a Black college study group which would develop proposals to improve recruitment from Black institutions; and

The exploration of ways to increase the participation of Black college faculty members in Intergovernmental Personnel Assignments (IPA).

QUESTION 17

The Administration's proposal suggests that an institution can apply for presumably small planning grants (Administration program notes indicate one-year).

(a) What figure constitutes a "small' grant?

Grants within the range of 25–35 thousand dollars would be considered small grants.

(b) Why should the Federal government fund institutions for planning for development? Shouldn't a school know what ways it needs to develop instead of the Federal government allowing limited resources to assist in planning?

Institutions were permitted, prior to 1973, to submit applications for Title III funding without a long range plan for institutional development. Monitoring and site visits to the institution indicated that the majority of the funded activities were not related to an institutional mission statement or goals.

Presently, all developing institutions are required by regulation to submit institutional plans; the Administration's reauthorization proposal makes this a statutory requirement. Our proposed legislation requires each Title III application to "set forth or describe how it will develop, a comprehensive development plan . . . including measurable objectives for the institution and the Secretary to use in monitoring the effectiveness of activities under this title."

Many of the developing institutions already have devised such plans, and will not need to request funds for this purpose. However, other developing institutions have neither the professional nor the financial resources necessary to develop a comprehensive long range plan. For this reason, modest sums are awarded to enable institutions to purchase the services of consultants or to provide released time for faculty to develop the long range plan.

QUESTION 18

The Administration's proposal deletes reference to using grant monies for either the Professor Emeritus or National Teaching Fellowship programs.

(a) Could an institution, if it determines it could be strengthened by such, establish its own professor emeritus or teaching fellowship program?

An institution could submit in its application a request for its own Professor Emeritus or Teaching Fellowship Program.

(b) If so, the law is explicit on the maximum annual stipend per individual for either program. Would the Office of Education expect to establish ceilings for this type of service? If so, based on what?

The existing law specifies a maximum annual stipend for the National Teaching Fellowships only. In the Administration proposal, no statutory ceiling is set, but a ceiling would be set by regulation.

The ceiling would be based upon national salary averages as well as on the existing salary scale at the institution in order to establish equitable stipends. If additional funds were needed to bring an individual to the campus the institution would be expected to add its own funds to the stipend.

QUESTION 19

(a) Under the present program, an institution receiving a Title III grant is required to file an annual progress report. Should there be an additional subsection added to Section 305 specifying that any institution that does not comply with program and fiscal reporting requirements to the satisfaction of the Secretary would have funds cut-off, and would be ineligible to compete under the program?

There is authority to terminate or suspend participation in Title III for cause in Section 100a.495 of the current OE General Provisions. (There will also be a similar provision in the EDGAR provisions.) In addition, Section 434c of the General Education Provisions Act (20 USC 1232c(c)) allows the Commissioner to terminate or suspend funding under a grant if the grantee fails to substantially comply with the applicable rules. The Commissioner must, however, afford the grantee notice and opportunity for a hearing. We feel that these provisions are adequate to ensure grantee compliance with program reporting requirements.

(b) The General Accounting Office indicated that there was little or no OE follow-up on reports submitted by institutions. How will the clarified purpose and new eligibility criteria help OE evaluate the quality of development institutions report?

Program effectiveness is evaluated by institutional progress toward meeting institutional objectives and the program objectives. Clearer articulation of program purposes and objectives help make evaluation of institutional progress easier and more effective. In addition, we have implemented a management information system which will facilitate the close monitoring of an institution's compliance with its development plan and its progress in meeting the goals it set for its own development.

(c) Will this free OE to conduct more site visits?

We expect that the new eligibility criteria will have no impact on the number of site visits.

QUESTION 20

There is no penalty for misuse of funds. Would there be any objection to including a section that specifies that any institution misusing funds or services under this act would be ineligible to receive additional payment and would be unable to compete for grants under this title in future years?

There is authority to terminate or suspend program participation for cause in the OE General Provisions and the General Education Provisions act. (See response number 19). We feel these provisions provide adequate incentive for grantee compliance with program regulations and offer us greater flexibility in program administration than a section which would terminate the grantee's eligibility to compete.

QUESTION 21

(a) If the community college set-aside (as proposed by the Administration) were eliminated, and all institutions competed equally for the total pot of money, how would the eligibility criteria (especially the double-weighting of the BEOG award) affect the community colleges who enroll significant numbers of part-time students? How does the current proposal affect the eligibility of community colleges vis a vis four-year institutions regarding the half-cost limitation for the Basic Educational Opportunity Grant?

The 24 percent set-aside does not influence eligibility—only the distribution of funds. Since community colleges are judged relative to other community colleges in determining eligibility, neither the BEOG half-cost provision nor the enrollment of part-time students should affect an institution's chances of being eligible.

(b) If there was no set-aside in the law, how would the criteria have to be changed to ensure equitable competition by all types of institutions?

The method for determining eligibility and the criteria under the current regulations, which are reflected in the Administration's legislative proposal, assure equitable treatment for two year institutions wishing to be designated as developing institutions. If there were no set-aside, the funding criteria set out in the new Title III regulations should assure equitable treatment.

QUESTION 22

The Department of Health, Education and Welfare, according to the press release dated June 13, 1979, will be providing information to Black colleges and universities to assist them in applying for grants and contracts from HEW's "more than 400 district programs." Please describe the nature of this information and how this will be delivered. Will this technical assistance come at the institution's request?

In a January 17, 1979 Directive, President Carter called for the elimination of barriers that Black colleges face in competing for Federal grants and contracts. The Office of Education has instituted the following actions to expand the opportunities of Black colleges to receive Federal assistance:

We are conducting an internal analysis of OE funding to determine why specific proposals from Black institutions were not recommended for assistance. On the basis of that analysis, we are providing technical assistance to help improve the quality of proposals.

All OE bureaus are sponsoring technical assistance workshops to inform Black college administrators of Federal programs. Special attention is given to institutional representatives who are responsible for contract and grant proposal writing. Technical assistance activities offered thus far include:

On February 8, 1979 the Bureau of Occupational and Adult Education (BOAE) held a workshop for 30 Black institutions. The attendees exchanged views on how to increase access to BOAE programs, particularly in those areas where funding to Black schools has been minimal.

On July 27 and August 7-10, 1979, the Bureau of Elementary and Secondary Education (BESE) sponsored workshops for Black colleges. Those administrators whose contract/grant proposals had been rejected for fiscal year 1979 funding under CRA-IV were given technical assistance in proposal writing.

In July 1979, the Bureau of Higher and Continuing Education (BHCE) awarded a grant to Antioch College to provide technical assistance to Black institutions competing for a grant under the Cooperative Education Program. As a result of the technical assistance given to Texas Southern University, the school was awarded an International Studies Center grant. Further BHCE has set a fiscal year 1980 goal of increasing by 3-5 schools the number of Black institutions which, with technical assistance, will receive International Studies Center grants.

The Bureau of Education for the Handicapped (BEH) has provided technical assistance grants in the areas of personnel preparation, general proposal writing and implementation and proposal-writing in the specific area of Early Childhood Education. BEH has also established a clearinghouse which is working within the competitive process to award several research contracts to Black colleges. Most recently, the Bureau has been preparing for a pre-proposal technical assistance workshop in Atlanta, Georgia. More than 100 Black colleges are expected to attend this meeting on August 26.

OE Bureaus are making special efforts to mail their application packages to those institutions identified by the National Advisory Committee on Black Higher Education and Black Colleges and Universities.

An initial review of Departmental programs has revealed that the greatest amount of support to black colleges has been indirect support in the form of financial assistance to students. We hope that the increased flow of information and technical assistance will assist black colleges to participate more fully in a wider variety of the department's programs.

QUESTION 23

If the educational and general expense per full-time equivalent student were to be a factor used to determine eligibility, what costs could be included in that? Would you include debt service as an expense, particularly in the case of public institutions? What would the effects be if E&G expenses were not regionalized to compensate for difference in costs across the country?

Educational and general expenditures per full-time equivalent student used as a factor to determine eligibility for the Title III Developing Institutions Program is calculated by dividing total educational and general expenditures and mandatory transfers (from line 12, part B of the HEGIS financial survey form) by full-time equivalent enrollment. Total educational and general expenditures and mandatory transfers is the sum of the following current funds expenditures: instruction, re-

240

search, public educational and general mandatory transfers. A definition of each of these items is provided on the HEGIS financial survey form which is attached in Appendix C.

Debt service is included in E&G expenditures as an educational and general mandatory transfer in the form of debt service relating to academic buildings.

The Office of Education studied the possibility of regionalizing E&G expenditures to compensate for differences in costs across the country but found that fundamental problems existed with the use of these adjustments. The Consumer Price Index (CPI) was studied but was found to have no relevance as an across-region measure of cost of living since it is designed to measure price differences over time. The Bureau of Labor Statistics Urban Family Budget for Selected Urban Areas relates only to selected urban areas, not all urban areas and not non-urban areas. Furthermore, the houshold budget data do not accurately portray the cost of operating an educational institution. Regional indexes and budgets do not take into account differences between areas within regions, for example between New York City and upstate New York. It also is not clear that faculty salaries, the largest part of E&G expenditures, would be higher in all high-cost areas or lower in low-cost areas.

Moreover, it is because of these regional cost variations that the program was created to correct this imbalance. Regionanalizing E&G expenditures using one of the existing adjustments would only further distort E&G expenditures within and between regions. Thus, neither State nor regional adjustments are or should be used.

QUESTION 24

Under the proposed program, an institution would submit its plan for comprehensive development. Who is to measure what is developed and whether or not the institution is making progress? Is it a "good faith effort" on the part of the institution?

The Administration's proposed legislation specifies that the required comprehensive development plan must include measurable objectives for the institution and Secretary to use in monitoring the effectiveness of activities. The proposed legislation further requires Title III applicants to set forth the policies and procedures that will be followed in this evaluation process.

Any activity funded under the program must be consistent with the goals, objectives, and development strategies outlined in the institution's plan and permitted by the legislation. The Office of Education will evaluate institutional performance in terms of the success of funded activities in meeting the measurable objectives specified in the development plan.

QUESTION 25

(a) The Federal government has never established a uniform way for determining full-time equivalent student count. The National Center for Education Statistics qualifies that the FTE counts in the Higher Education General Information Survey are not uniformly computed. In the proposed changes, how would the Office of Education determine to verify "full-time equivalent" student count?

Our current practice is to allow the institution to use a method that they routinely use for other purposes or to use the sum of all part-time credit hours divided by the normal full-time load to determine FTE of part-time students or by assigning fractional values to all part-time students. Verification would center around their consistent use of one or the other of these methods.

(b) Would there be a standard formula in the statute?

We would not suggest a legislatively mandated standard. The benefits to be derived from such standardization would not outweigh the negative appearance of unwarranted Federal intrusion into longstanding and varied practices followed in the field.

QUESTION 26

Wouldn't comparing the educational and general expense per full-time student be inequitable if privates are compared to publics who enjoy a good deal of State subsidy? How will this comparison be equitably computed?

Public and private institutions are not compared in determining the educational or general expense per full-time student. Public two-year institutions are compared with other public two-year institutions. Private two-year, public four-year and private four-year institutions are compared only with institutions of the same degree level and type of control.

QUESTION 27

Should institutions funded primarily by the Federal government be eligible to compete for Title III funds? (i.e. University of the District of Columbia, Howard University, etc.)

Howard University does not qualify as a developing institution and has never participated in the Title III program. Specific campuses of the University of the District of Columbia have qualified for support based upon program criteria. Institutions qualify for support based upon whether or not their programs and objectives are consistent with the purposes of the legislation, not upon funding source. This appears to be the appropriate method of selecting the participants for the program.

QUESTION 28

In the rationale for change of the definitional purpose (Appendix to the Administration's testimony presented to the subcommittee on July 19, 1979) the statement read: "The proposed language (re: purpose) would eliminate confusion and direct funds to the neediest institutions." It is unclear whether the Administration's proposal is tieing Title III grants to institutional or student need. Could you please elaborate?

A longstanding and continuing problem in the Title III program has been the identification of those institutions to be served by the Federal program. Since its inception, the meaning of such terms as "developing" has been debated on numerous occasions by numerous groups. The new regulations attempt to circumscribe the universe to be served by using two quantitative criteria: points are awarded to the institution (1) for its average educational and general expenditures per full-time equivalent student in comparison to the E&G expenditures in its category, and (2) for its average Basic Educational Opportunity Grant award per full-time equivalent undergraduate student in comparison to the average Basic Grant award for other institutions in its category.

The former is not a student body characteristic, but rather an institutional one, insofar as it measures the resources available to a college to expend for critical student characteristics, but also addresses the fundamental mission of the institution, in that it identifies, to some degree, the kind of student body the college is presently serving. Institutions which serve substantial numbers of economically or educationally deprived students often must provide compensatory instruction and counseling services to encourage retention. These special programs, in order to be effective, must be tailored to individual student needs, and thus increase the instructional costs for these already overburdened institutions.

QUESTION 29

Under the Administration's proposed language, an institution would have to give a comprehensive development plan that would show specifically how it plans to develop. Under the current program operation, it is believed that many schools are now using their Title III money for operation and maintenance expenses. How would this language prohibit the continuation of such use?

The comprehensive development plan requirement is designed to put in the proper context planned activities which will strengthen the developing college. Under both existing law and the administration's proposed legislation, Title III assistance must supplement, not supplant, current operating revenues necessary to cover expenditures for specific operational activities that will enhance the quality of that institution. Assessment of institutional progress, either internal or external, will be measured against the developmental needs expressed in the comprehensive development plan.

These changes in the Title III legislation require the institution to accept responsibility for determining its own needs, for deciding how long funding is necessary (within the statutory limits), and for developing measureable objectives for its own performance. Field readers and program staff can then evaluate how well the institution's proposal addresses its self-identified needs and whether the proposed development activities are consistent with the purposes of the Title III program.

QUESTION 31

The grant awards process for fiscal year 1979 grants has been delayed well beyond the anticipated June 30 date for announcement. Have the delays been caused in part from difficulties in program operation resulting from the program changes established in the new regulations? Please elaborate.

The original selection of June 30 as the anticipated date of announcement of awards was predicated upon the original closing date for receiving applications of February 2, 1979. The primary reason for the delay in the grants awards announcement was the decision to permit any institution which had received a Title III grant in fiscal year 1978 to submit an application, irrespetive of its ability to meet the new eligibility criteria. This decision, the result of public comment after the publication of the proposed regulations in November, 1978, necessitated reopening the competition after the initial set of proposals had been evaluated. In order to allow these institutions sufficient time to submit applications, the new closing date for receiving application was set at April 30, 1979. The second set of evaluations had to be ranked along with the original evaluations, and a revised awards list prepared. This caused unavoidable delay.

QUESTION 32

For the fiscal year 1979 grant awards process were institutions that were deemed eligible by nature of their reaching the minimum 174-point cut-off evaluated on an equal basis? Or was priority given to those institutions that had higher qualifying scores than others?

When an institution requests designation as a developing institution, it is awarded a certain number of points based upon its average E&G expenditures per full-time equivalent student. This score is used only in the eligibility process. Once an institution is declared eligible to compete for funds, its proposal is evaluated without reference to its eligibility "score." Thus, no institution receives priority in the proposal evaluation process by virture of a high eligibility score.

QUESTION 33

The new regulations for implementing the Title III program provide a method whereby institutions that were ruled ineligible to compete could submit a narrative describing why they felt they should be determined to be a developing institution. Were there any institutions submitting such a narrative? What determinations were made in those specific cases? Who made those determinations?

In the fiscal year 1979 competition, 230 institutions failed to reach the 174 point eligibility score and submitted narrative descriptions to support their request for designation as developing institutions. Of those 230 institutions, 199 were declared eligible to compete for funding. Of the 31 institutions which were declared ineligible, most did not provide sufficient statistical data or other information required to support a positive decision.

A committee composed of six senior program staff of the Division of Institutional Development evaluated the narratives submitted by the institutions and determined each institution's developing status. For each of the 31 institutions that were declared to be "not developing," the decision of the committee was unanimous.

QUESTION 34

In what ways has the Administration taken caution to protect Hispanic and Native Americans intrests under the Title III program? Although the Native Americans do have a few tribally controlled community colleages, Hispanic interests seem to be left out of consideration under the proposed program because there are no predominantly Hispanic institutions.

The Office of Education has paid special attention to the interests of Hispanics, Native Americans and other minorities in a number of ways in its administration of the Title III program.

Special consideration for Hispanics and Native Americans is mandated in the initial legislation of 1965, which authorizes the Commissioner to waive certain accreditation requirement for institutions located on Indian reservations or those serving substantial popualtions of Native Americans or Hispanics.

The current regulations clearly address the needs of those institutions which enroll large numbers of low income students. This purpose is evident in the quantitative criteria for designation as a developing institution. Title III support can easily be directed to institutions with high concentrations of disadvantaged black and Native American students. The distribution of Hispanic students among institutions of higher education, however, differs significantly from the distribution of black and Native American students. There are very few institutions of higher education established for and controlled by the Hispanic community. Because Title III is designed to provide general support to institutions and not specific groups of students within the student population, it is an inefficient instrument for providing aid to specific groups of students where those students are not in the majority.

The TRIO programs of Title IV of the Higher Education Act, by contrast, are designed to reach specific groups of disadvantaged students rather than to provide broad institutional support. As long as the capacity to reach specific groups of students is found elsewhere within the HEA, it is appropriate to maintain the institutional focus of Title III.

We will continue, where possible, to assure that Title III addresses the needs of Hispanic students as well as other students. In the selection and assignment of reviewers of applications, the representation of minority groups is taken into consideration. In the fiscal year 1979 review process, applications were reviewed by three external reviewers; two of these three reviewers represented the same ethnic/racial group as the applicant institution. Similar procedures were followed in previous years.

The benefit of the program to Hispanics in particular has been documented in a study conducted in 1978 by the Office of the Commissioner. It concluded that Hispanics and Hispanic institutions have not been underrepresented in the developing institutions program. This is so in spite of the fact that only 54.3% of the Hispanic institutions had applied during the period studied, 1971-1977.[1]

In response to this situation the paper promised immediate action to (a) work with local and national Hispanic organizations to insure that information about Title III participation reaches their eligible members, and (b) improve technical assistance activities so that interested institutions will have the best help available in developing proposals. The Office of Education has met this commitment by such activities as holding workshops and hearings at locations particularly accessible to representatives of Hispanic institutions. In December 1978 application workshops and public hearings on proposed program regulations were held at El Paso Community College and at Hostos Community College in New York City. In September of 1979 an application workshop and site visits to Hispanic institutions will be conducted in Puerto Rico.

QUESTION 35

In their comments on the proposed regulations for the Title III program, the National Advisory Council on Women's Educational Programs recommended that priority for funding be given to those institutions which show special efforts to overcome the historical disadvantage suffered by women in American education. What objection would the Administration have to incorporating this recommendation into the program's purpose?

The program regulations and program purpose focus on those institutions which provide opportunity to disadvantaged students. To the degree that women are disadvantaged, the program is directed toward institutions which provide access and opportunity to them. A significant number of the institutions funded under Title III, particularly the historically black institutions have traditionally had a higher female enrollment than male enrollment. Therefore, institutions which have provided an unusual degree of access for women have a substantial and continuing claim upon the resources of the program. This program focus will be retained so that the needs of women will continue to be addressed as long as they are overrepresented in institutions with high concentrations of low-income students.

Federal civil rights provisions prohibit federal support of programs or institutions which discriminate on the basis of sex. Additional regulation to accomplish that end would be redundant.

Dr. **Francis**. I would like to say, your comment about pitting the junior college, Hispanics, and black colleges against each other, of course, serves no one, and it certainly doesn't serve the young people we are trying to serve.

I want to say that things have changed since title III started in 1965, but if you look at the record, as far as serving young people, Hispanics, low income, and in particular blacks, that gap is still a long, long way, and I suspect in your wisdom I would hope that this committee will come up with the answers to serving and salvaging young people.

---

[1] (On the basis of a 1974 recommendation by the National Advisory Committee on Developing Institutions, an institution is designated as Hispanic if at least 20 percent of the students enrolled are Hispanic and at least 100 Hispanic students are enrolled.)

We are talking about energy right now, and I think our most precious resource is people. There isn't enough money in it right now.

Your remarks about how we were right to challenge grants, I hope counsel will be able to put in some way that institutions will be authorized to build endowments in this supplemental money because that will provide the fish and the pole, not just a fish.

Thank you very much.

Dr. **Rivera**. Mr. Chairman, I believe your summary and characterization of the historical analysis of where title III has been and the new kinds of problems that are with us at this time was very accurate.

I think that we can no longer hope to try to propose solutions or a duplication of previous solutions that may have fit the problems in 1965 or 1968 or 1972.

Today, we have to address the needs of many under-served populations in our country, both minorities and non-minorities.

The most important thing that the Hispanic Coalition would hope to state is that we have a legitimate need as an under-served population; and, we have to depend on the good judgment of many people in positions much like yourselves to assist us at this particular time.

Thank you very much.

Dr. **Reid**. I would like to speak to the issue of the set-aside and focus on something that has not been talked about yet here today other than indirectly.

You have talked about access to opportunity in postsecondary education as being a major concern of the community.

I would like to point out that many people, particulary minority members, are entering and gaining access to postsecondary opportunities on a part-time basis as part-time students.

That is the way they go to school. That is the way they get into school, and that is the way they are going to finish school if they are going to finish school.

I think it's very significant that 97 percent of all black undergraduate students are part-time students in 2-year institutions. Seventy-nine percent of all Hispanic undergraduate students are in 2-year institutions.

The composite for all minority groups is 91 percent.

If you are talking about access to a postsecondary educational opportunity, you have got to take into consideration those numbers and those percentages, because that is really where the future lies, and we have no argument with the concern for traditional black institutions.

They have a job to do and they are concerned about producing baccalauareate graduates, and we hope our students who start out as part-timers will wind up with those baccelaureate degrees.

Mr. **Ford**. Mr. Moyé, the less than half-time students won't show up on your statistics?

Dr. **Moyé**. Correct.

Mr. **Ford**. The school doesn't get counted for that type of student?

Dr. **Moyé**. That is where a narrative will help make the difference in the eligibility of the institution, for it will enable an institution to demonstrate its commitment to low income part time students who do not receive basic grants and who thus do not show up in the eligibility calculations under the new regulations.

Mr. **Ford**. The gentleman from New York has another question?

Mr. **Weiss**. No; thank you, Mr. Chairman.

Mr. **Ford**. We will excuse this panel and recess very briefly, because this series of bells is followed by a brief 5-minute period for voting on Amtrak.

The committee will reconvene as soon as that vote is concluded; I would guess another ten minutes.

I want to thank you very much, and I am happy to have this opportunity, Commissioner, to have an exchange with you this morning, and happy to see that you are aggressively pursuing the Administration's position on this legislation.

We will do the very best we can to accommodate you.

Dr. **Berry**. Thank you very much, Mr. Chairman.

Mr. **Ford**. We will continue on with today's hearing, now shifting to the subject of institutional eligibility accreditation and student information.

Michael O'Keefe, Deputy Assistant Secretary for Planning and Evaluation, Department of Health, Education and Welfare, representing the administration; Ken Young, President, Council on Postsecondary Accreditation; Richard Fulton, Attorney, with the firm of Sachs, Greenebaum and Tayler; Charles Saunders, Vice President, American Council on Education; Kathryn Baron, National Student Educational Fund; Barbara Knudson, Chairwoman, Accreditation Advisory Council, and Al MacKinnon, New York State Department of Education.

Without objection, the prepared statements submitted to the committee will be inserted at this point in the record, and we will proceed, I would assume, starting with Mr. Young. So that Mr. O'Keefe can respond we will keep you for last, if that is all right.

STATEMENTS OF THOMAS (MIKE) O'KEEFE, DEPUTY ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE; KENNETH YOUNG, PRESIDENT, COUNCIL ON POSTSECONDARY ACCREDITATION; RICHARD FULTON, ATTORNEY-AT-LAW, SACHS, GREENEBAUM & TAYLER; CHARLES SAUNDERS, VICE PRESIDENT, AMERICAN COUNCIL ON EDUCATION; KATHRYN BARON, NATIONAL STUDENT EDUCATIONAL FUND; BARBARA KNUDSON, CHAIRWOMAN, ACCREDITATION ADVISORY COUNCIL; AL MacKINNON, NEW YORK STATE DEPARTMENT OF EDUCATION

STATEMENT OF KENNETH YOUNG, PRESIDENT, COUNCIL ON POSTSECONDARY ACCREDITATION

Mr. **Young**. I am Kenneth E. Young, president of the council on postsecondary accreditation. COPA, as you may know, is the national, nonprofit organization whose major purpose is to support, coordinate, and improve all nongovernmental accrediting activities conducted at the postsecondary educational level in the United States. We have 52 member accrediting agencies and are supported by the postsecondary education community.

I would like to make two preliminary comments:

First, I am pleased to note that the administration, in its proposal, has some things to say about accreditation. We are often accustomed to hearing so many criticisms of accreditation, most of them uninformed or misinformed, and the administration demonstrates in its proposal at least that it understands what accreditation is and appreciates the role that accreditation plays.

Second, I believe that the administration has good reason to be concerned about the current Office of Education's eligibility system. The system was created almost incidentally and without much forethought. It has enlarged its role, without statutory change, until it now involves a staff of 30 persons and an annual budget of $1 million. And it has been a continuing focus of criticism.

Dr. Frank G. Dickey, then executive director of the National Commission on Accrediting, in testimony before a House committee in 1974, delivered a statement which I can read again today and would be appropriate for this purpose.

Dr. Harold Orlans, a research scholar with the National Academy of Public Administration, in a 1975 study funded by the Office of Education, also pointed out a number of things wrong with the present system and most recently the General Accounting Office in a 1979 report, "What Assurance Does Office of Education's Eligibility Process Provide?", raises some serious questions and makes some proposals including a proposal that the Congress consider clarifying the legislation with regard to the role of the eligibility function within the Office of Education.

Following is a preliminary response to the administration's specific proposals concerning accreditation and institutional eligible and related matters.

First, the proposal to eliminate accreditation as a statutory requirement for institutional eligibility for Higher Education Act programs. We oppose this proposal. Accreditation or its validated equivalent should remain as one consideration in the determination of institutional eligibility for Federal funds. To put it another way, when public funds go to institutions of postsecondary education, we believe it would be important to know that those institutions have gone through—and periodically will be subjected to—a process involving a thorough, supervised self-study and peer review, in addition to any other eligibility considerations.

There are more than 400 Federal programs that provide funds, directly or indirectly, to institutions of postsecondary education. Some of these programs do not utilize accreditation as an eligibility consideration. The title III area that has been the subject of your attention this morning is an example. Many others use accreditation, but only as one of several institutional characteristics considered in eligibility determinations. The Office of Education, on the other hand, has developed an eligibility system that has attempted to place a major reliance on nongovernmental accreditation, and almost all criticisms relating to accreditation and eligibility have focused on this arrangement. We believe that this eligibility process has grown too cumbersome and needs to be revised.

The second proposal of the administration is to maintain and place greater reliance on the existing statutory requirement that an institution must be legally authorized by the State in which it operates. We have consistently maintained that State authorization—chartering and licensing—should be the first and most basic consideration in determining institutional eligibility and that this function should be improved and strengthened along the lines of the model legislation developed by the Education Commission of the States a number of years ago.

At the present time, several States have no licensing laws, and a number of others function with inadequate laws or resources. Given a major effort by the Federal Government and national organizations representing the States, it probably would require 3 to 5 years to achieve necessary uniformity and dependability in State authorization.

We would be concerned that an increased Federal dependence upon State chartering and licensing not also lead to an expanded State role for them as accrediting or quasi-accrediting agencies. We believe that accreditation should be preserved as a primarily nongovernmental enterprise.

The third proposal is to continue administrative actions to enforce, at the program level, requirements for responsible institutional management of Federal funds.

We support this recommendation. No matter what other eligibility requirements prevail, officials responsible for each Federal program bear a responsibility for certifying that every eligible institution meets all specified program requirements. Neither State agencies nor accrediting bodies can or should accomplish this certification.

Every effort should be made, however, to insure that all program requirements are appropriate and do not violate the letter or spirit of the general education provisions prohibiting Federal interference in the academic affairs of institutions. Wherever possible, Federal agencies should utilize the self-regulatory mechanisms created and supported by the postsecondary education community. And here I am speaking beyond the self-regulatory mechanisms of accreditation but also referring to the effort under the direction of the American Council on Education's Office on Self-regulation Initiatives.

The fourth proposal of the administration is to strengthen student information requirements so that students and parents can make more informed decisions about where to spend their education dollars.

We have always supported the desirability of providing more complete, accurate, and useful information to prospective students and students in postsecondary education. We believe, however, that this objective can best be realized through voluntary incentive and information efforts such as the fund for the improvement of postsecondary education's better information for student choice program and the American Council on Education's Office on Self-Regulation Initiatives. Where regulation of this kind is called for, it preferably should be part of State licensing and consumer protection legislation.

The Federal Government already is involved in duplicative and potentially dangerous consumer-oriented regulatory efforts by a variety of agencies—the Office of Education, Veterans Administration, and Federal Trade Commission being three examples.

The Council on Postsecondary Accreditation has a task force on accreditation and eligibility. That body will meet on July 31 to develop a more detailed response for consideration by COPA. We will share that document with you once it has been approved.

[Mr. Young's prepared statement follows:]

A Statement on Behalf of

The Council on Postsecondary Accreditation

July 25, 1979

Following is a preliminary response to the Administration's proposals concerning accreditation and institutional eligibility and related matters:

(1) Proposal to eliminate accreditation as a statutory requirement for institutional eligibility for Higher Education Act programs

We oppose this proposal. Accreditation or its validated equivalent should remain one consideration in the determination of institutional eligibility for federal funds. To put it another way, when public funds go to institutions of postsecondary education, we believe it would be important to know that those institutions have gone through (and periodically will be subjected to) a process involving a thorough, supervised self-study and peer review, in addition to any other eligibility considerations.

There are more than 400 federal programs that provide funds, directly or indirectly, to institutions of postsecondary education. Some of these programs do not utilize accreditation as an eligibility consideration. Many others use accreditation, but only as one of several institutional characteristics considered in eligibility determinations. The Office of Education has developed an eligibility system that has attempted to place a major reliance on nongovernmental accreditation, and almost all criticisms relating to accreditation and eligibility have focused on this arrangement. We believe that this eligibility process has grown too cumbersome and needs to be revised.

(2) Proposal to maintain and place greater reliance on the existing statutory requirement that an institution must be legally authorized by the state in which it operates

We have consistently maintained that state authorization (chartering and licensing) should be the first and most basic consideration in determining institutional eligibility and that this function should be improved and strengthened along the lines of the model legislation developed by the Education Commission of the States.

At the present time several states have no licensing laws, and a number of others function with inadequate laws or resources. Given a major effort by the federal government and national organizations representing the states (Education Commission of the States, National Council of State Governments), it probably would require three to five years to achieve necessary uniformity and dependability in state authorization.

We would be concerned that an increased federal dependence upon state chartering and licensing not also lead to an expanded state role for them as accrediting or quasi-accrediting agencies. We believe that accreditation should be preserved as a primarily nongovernmental enterprise.

(3) Proposal to continue administrative actions to enforce, at the program level, requirements for responsible institutional management of federal funds

We support this recommendation. No matter what other eligibility requirements prevail, officials responsible for each federal program bear a responsibility for certifying that every eligible institution meets all specified program requirements. Neither state agencies nor accrediting bodies can or should accomplish this certification.

Every effort should be made, however, to insure that all program requirements are appropriate and do not violate the letter or spirit of the General Education Provisions prohibiting federal interference in the academic affairs of institutions. Wherever possible, federal agencies should utilize the self-regulatory mechanisms created and supported by the postsecondary education community.

(4) Proposal to strengthen student information requirements so that students and parents can make more informed decisions about where to spend their education dollars

We have always supported the desirability of providing more complete, accurate, and useful information to prospective students and students in postsecondary education. We believe, however, that this objective can best be realized through voluntary incentive and information efforts such as the Fund for the Improvement of Postsecondary Education's Better Information for Student Choice Program and the American Council on Education's Office on Self-Regulation Initiatives. Where regulation of this kind is called for, it preferably should be part of state licensing and consumer protection legislation.

The federal government already is involved in duplicative and potentially dangerous consumer-oriented regulatory efforts by a variety of agencies (Office of Education, Veterans Administration, and Federal Trade Commission).

****

The Council on Postsecondary Accreditation has a Task Force on Accreditation and Eligibility. That body will meet on July 31 to develop a more detailed response for consideration by COPA. We will share that document with you once it has been approved.

/pln

Mr. FORD. Thank you.

Mr. Fulton?

STATEMENT OF RICHARD FULTON, ATTORNEY AT LAW, SACHS, GREENEBAUM & TAYLER

Mr. FULTON. Thank you, Mr. Chairman. I am Dick Fulton. I am here in my individual capacity. I appreciate the opportunity to make it clear that I am not representing anyone. I have as law clients half a dozen accrediting agencies. I have been in litigation against accrediting agencies, and I have represented accrediting agencies in litigation. I have been on all side of these battles, but I am here because of the complexity of this eligibility question—and I am not here to defend accreditation. I will readily admit that it has its warts and pimples. I am here because of my concern for a credible ongoing eligibility system, I assume that is really the subject of this hearing.

In 1975, I prepared a paper for the Office of Education's Conference on Eligibility. It is entitled "The Several Discrete Dimensions of Eligibility". If there is no objection, I would like it entered into the record.

Mr. FORD. Without objection, it will be entered with the other statement.

[The information referred to above follows:]

V. CONFERENCE PRESENTATIONS

1. The Several Discrete Dimensions of Eligibility

by

Richard A. Fulton

Association of Independent Colleges and Schools

Curiously, it is the eligibility of the *institution* rather than the eligibility of the *student* which is defined by statute in the many programs of student financial aid administered by the U.S. Office of Education. Thus according to one USOE administrator, an NDEA student loan for a six-week firefighting course was permissible even though at that time (pre-1968) the institution had to be a degree-granting four-year or two-year with fully transferable credits institution. I do not believe such a flexible or literal administration of the law today would permit an NDSL loan for a three-month course at a "proprietary institution of higher education" complying fully with the elements of eligibility of Section 491(b)(3) which requires that the institution offer at least a six-month program. In fact, I feel sure that the NDSL regulations require that the student be enrolled in at least a six-month program.

It would seem that the old pre-1968 USOE attitude on the NDEA that the length of the course required by the statute for institutional eligibility is distinct from the length of the particular course undertaken by the student in search of financial aid has been abandoned. Yet I suspect that a GSL is equally available for a three-month course at a Section 435(b) "institution of higher education" which by statute must offer a one-year program as at a Section 435(c) "vocational school" which by statute has no requisite minimum offering.

However inconsistent the logic of the USOE administration may be in this case, I suggest it is responsive to the legislative intent of Congress and can be relied upon equally by concerned third parties. In all cases it is only the written word upon which the student or the educator can rely with some certainty after Congress has enacted and the Executive has administered. The precise dimensions of such words as "accreditation" and "eligibility" are essential to statutory authorization, fiscal appropriation, and administrative implementation through regulations and criteria. All dealing with the written word!

Whether or not I agree with legislative intent of Congress or the administrative logic of the USOE concerning admission to or demission from eligibility is an issue separate from the necessity of having a common source of written words upon which an issue can be articulated. As it happens, I agree with the USOE-AIES[1a] multi-dimensioned concept that *eligibility* has "distinct component elements" and "Thus, it seems clear that accreditation is not tantamount to, or synonymous with, institutional eligibility for funding."[2]

Eligibility Determination and Termination

On the other hand, my own theories concerning the *termination* of eligibility include that which the USOE proclaims, but go beyond and are more broadbased than the mere loss of "one of the eligibility elements".[3] As early as August 18, 1972, at an Advisory Committee for the Brookings Study of Private Accrediting and Public Funding, my perceptions of eligibility and its termination as being more than uni-dimensional were publicly, however ineptly, stated. The notes of that early meeting convened by the group which was to issue the Orlans Report[3a] should reflect that my enthusiasm for the recently enacted Section 438(a) authority to limit, suspend or terminate GSL eligibility by the USOE of an "otherwise eligible institution" left one distinguished commentator, "less than underwhelmed" and was less elegantly derided by another observer. Other expositions of my multi-dimensional perception of eligibility, its termination and accreditation as it may or may not be a necessary element of eligibility are reproduced along with oral testimony in hearings before the Subcommittee on Education of the Senate, September 12 and 13, 1974, including copies of letters to Dr. Harold Orlans of July 23, 1973, at page 437, and to Senator Claiborne Pell of September 20, 1973, at page 441.

Similar testimony was offered to a House Government Operations Subcommittee on July 24, 1974. In my opinion the Report (No. 93-1649) issued as the result of those hearings is by and large, and subject to some minor personal exceptions, one of the most even-handed and objective commentaries yet to appear.

Before rushing into the development of an "alternative channel of eligibility" I suggest that first we heed the realistic observation of that Committee which concluded that:

> *"One of the greatest needs is for compliance with existing laws and standards. Greater enforcement efforts are required in every quarter. Schools possessing accreditation do not live up to the impressive standards of accrediting associations. State laws, carefully drafted and designed to weed out unethical standards and practices, often are not enforced.*
>
> *"The interlocking protection provided by the triad of licensing, accreditation, and eligibility regulations is more theoretical than real in far too many cases. State agencies do not work with their counterparts across the State boundary and they do not work with Federal agencies. Federal agencies do not work with each other. Proprietary school courses are generally only a few months long. Speedy correction of problems is crucial, and requires rapid dissemination of warning signals. The existing safeguards can accomplish a great deal more when the institutions responsible for them act in concert."* (*Page 43*)

That there is an immediate need for an alternative to accreditation as it is a necessary element of eligibility, but not an avenue of eligibility, is, in my opinion, *a distinct and simpler issue.* Admittedly the Orlans people with their uni-dimensional view want to invent new mechanisms while I hope

---

[1] [illegible] are in the Higher Education Act of [illegible] as amended [illegible]

[1a] AIES Accreditation and Institutional Eligibility Staff

[2] The Federal Eligibility System as Administered by the Office of Education, by AIES, April 25, 1975. See Appendix A, Page [illegible]

[3] Ibid. page [illegible]

[3a] Harold Orlans, N. Jean Levin, Elizabeth K. Bauer, and George Arnstein, *Private Accreditation and Public Eligibility*, Oct. 1974.

to improve the present multi-dimensional mechanism. However, after nearly three years the GSL regulations pursuant to Section 438(a) are in effect. Published action suspending the eligibility of an "otherwise eligible institution" has been taken by the USOE. My early enthusiasm of 1972 is now justified because "Truth always lags behind, limping along on the arm of Time."[4]

More later about specific unused statutory authority of the USOE Commissioner in the NDSL, CWS, and SEOG programs, dating back to 1965, a full decade, to "condition the continuation of institutional eligibility by agreement and without in any way awaiting a finding by an outside agency that the institution is not in compliance with one of the eligibility elements!

If the written word of the statute is to be rationally analyzed and reasonably debated, or if it is to be consistently implemented by regulation or equitably interpreted through criteria, I would attach more importance to the written rather than spoken regulations or criteria. While there may be such a thing as the "unwritten law" one judge has held that such a plea is not worth the paper it isn't written on. Yet I have been chided because I ". . . evidently attach more importance to the written rather than the spoken word." Stating that he did not, the chief author of the Orlans Report opined that, "Written words however do keep many lawyers, pedants, and clerks gainfully, if unproductively, employed."

Orlans Report

Despite the imprecise language of the Orlans Report which seemingly persists in equating accreditation with eligibility, it appears to me that the authors:

(1) View erroneously eligibility determination or termination as a one-dimensional responsibility for which there should be alternative sources for the exercise of this responsibility but each source being plenary,

(2) Manifest little interest and less comprehension of the specific statutory language as "eligibility" for one or more programs may be defined by Congress rather than as administered by the USOE;

(3) Offer a number of recommendations which could be most constructive if they were to enhance a multi-dimensional concept of eligibility determination and termination wherein the states do and should, (Orlans page 18) have discrete responsibilities separate from accreditation which is merely a distinct element and to which as it is an element of, rather than an avenue to, eligibility there should be an alternative;

(4) Curiously omit any reference to the very current $4.5 million damage suit[6] against AICS which dramatically (and expensively) has brought into focus the multi-dimensional elements of state licensure, accreditation, USOE authority as independent elements available for the termination, rather than determination, of eligibility which was described in the same Congressional testimony of July 19, 1974, another portion of which is quoted at page 15 of the revised version of the Orlans Report.

If one cannot be precise with the simpler concept of *monopoly*, it can easily follow that the more complex concept of statutory *eligibility* can be misunderstood. I agree that the USOE should modify its opposition to the recognition of more than one agency in a geographic or educational area (Orlans, page 6). But I cannot agree that the eligibility statutes as enacted by Congress constitute a monopolistic power by recognized agencies over access to federal benefits (Orlans, page 7). To be only one of at least two necessary predicates to eligibility is not a monopoly. As interpreted by certain USOE program administrators, is an issue which may emerge in the course of another lawsuit[7] which has been brought by the State of Texas against the same party who has sued AICS for loss of accreditation.

The facts involve USOE insurance of loans during which time either the institution lacked state authority to offer the program of education [Section 435(c)(2)] or accreditation [Section 435(c)(4)], or both. For those cases where there is no question that the bank made the loan to the student there may be a very real question, to the amount of millions of dollars, as to whether the USOE, as a subrogee, having paid the insurance claim to the bank for the defaulted loan, can successfully collect from the student who asserts as a defense that the insurance of the loan was improperly issued, and hence void or voidable, because the institution did not meet the statutory definition of an "eligible institution" of Section 435(a) for lack of a state license or accreditation. This defense by the student is completely different from any claim of fraud in the fact or failure of consideration which also might be asserted by a student because FISL notes are not negotiable instruments and hence, any holder, including the USOE, takes subject to the personal defenses of the maker.

Yet at page 391 of the Orlans Report, a secretarial school "that had lost its license but still retained its accreditation" is described as having still retained its eligibility for insured loans. If such was the case it was not a matter of statutory language, but rather a matter of administrative ineptitude. It is also contrary to the "Eligibility Checklist" submitted by the USOE in the course of the Senate Subcommittee on Education Hearings of September 12 and 13, 1974 at page 167. But, as John Locke observed, "It is one thing to show a man he is in error, and another to put him in possession of the truth."

Other beholders of the one dimension, cure-all alternative to accreditation include Mark Berry (Orlans Report pages xv and 191), and E. W. Quinton (Orlans Report page xv). Berry is the "young lawyer" who concluded in 1970, without ever meeting with ACBS, that its USOE recognition should be withdrawn and that his proposed law governing Texas proprietary schools would solve the situation. E. W. Quinton, Director of Proprietary Schools for the Texas Education Agency charged with administering the law which Berry advocated so successfully is, according to the newspapers, currently in the hospital unable to answer allegations about the "back dating" of school licenses or non-enforcement of the 30-day payment of refund requirement of the Texas law. Quinton's personal records have been subpoenaed by the Texas Attorney General. Mr. Berry serves as a member of the State Advisory Committee on Proprietary Schools to which Mr. Quinton is answerable.

---

[4] [illegible]

[5] [illegible]

[6] [illegible] Business College Inc., et al. v. AICS, No. [illegible] (W.D. Tex.) [illegible]

[7] State of Texas v. Carl D. [illegible] No. 74-CI-14555, District Court Bexar County Texas, 166 JUD. DIST., 1974.

As a precaution, the Orlans group invoked the wisdom of the Book of Common Prayer (Orlans page ix), I too would cite it in support of my multi-dimensional perception of eligibility because I am firmly convinced of the fallibility of man and the capacity for misjudgment when sole authority for eligibility is reposed in any one place or body. As we told the O'Hara Subcommittee last year that "No one group of people or particular individuals is especially endowed with the capability of always making the correct decision." Rather, "the statutes contemplate a synergistic result in reliance upon state authority, accrediting agencies and the USOE's post audit authority." To persist in one-dimensional alternatives as suggested by the Orlans people in no way diminishes the probability "we have left undone those things which we ought to have done, and we have done those things which we ought not to have done." (Book of Common Prayer, page 6).

Has the USOE Used its Present Authority?

The U.S. Commissioner of Education, T. H. Bell, when addressing the Middle States Association of Colleges and Secondary Schools last December 6, 1974, on the subject of "Accreditation and the Education Consumer" stated:

> *"We have very little authority to affect in any way the eligibility of a duly accredited institution. Yet we are often faced with painful evidence that some duly accredited institution is following practices which thwart the purposes of the Federal programs we administer."*

Put aside for the moment the insured loan program because it has had so much notoriety including, after nearly three years aborning, actual implementation of the Section 438(a) USOE regulations to limit, suspend or terminate institutional eligibility. In fact, similar authority is now being sought by the USOE in order to better administer the other programs of student financial aid such as NDSL, CWS, and SEOG. Do they need it?

Every institution which participates in the Supplemental Educational Opportunity Grant (SEOG), College Work Study" (CWS), and National Direct Student Loan (NDSL) programs in addition to the statutory elements of eligibility *must enter into an agreement* with the Commissioner to obtain the funds authorized by the program. Those agreements for each of the above-named programs with minor variations shall "include such other provisions as may be necessary to protect the financial interest of the United States and promote the purposes of this subpart." The current citations are:

- SEOG and EOG Section 413(b)(6)
- CWS Section 444(a)(8)
- NDSL Section 463(a)(5)

Actually these statutes go back to 1964 and 1965 with similar language.

Awkward as it might seem, there may be unused statutory authority now available to the Commissioner to stop those "practices" he described to the Middle States Association "which thwart the purposes of the Federal programs" he administers. If delinquencies are even worse under the NDSL than the GSL program - some suggest more than double the GSL default rate of 14% - maybe the agreements with the institutions for NDSL money should be revised in order to promote the purposes of the program which is lending and collecting money from students.

Assuming an NDSL delinquency rate of 25% to 30% and a total appropriation of something in excess of three billion dollars since 1958, we then see the awesome possibility that maybe more than three-quarters of a billion dollars of NDSL money may be uncollected and stagnating. This of course would be contrary to the purposes of the program. Hence to promote the purposes of the program it might be a good idea for the Commissioner to revise his agreements to make sure that the institution is collecting the old NDSL money and recycling it as Congress intended. Such a determination should be made by the NDSL program administrator and not the AIES people because the facts would be peculiarly within program administration knowledge and thus his responsibility!

Expensive and time-consuming computer print-outs are not necessary to get some crude indicators of whether or not an institution is in fact collecting and recycling NDSL money. A simple first step might involve a comparison over the past ten years of the institutions' level of lending with the annual allocation of NDSL funds. If the former is not appreciably greater than the latter, then there may cause for institutional' review which under the agreement could result in limitation, suspension, or termination from the NDSL program. Similar tests could be established for CWS utilization or SEOG refunds and recycling when student beneficiaries drop out of school and are due a refund.

Possibly Congress might object to the USOE tardily asserting this ten year old agreement authority. But why not find out?

In any event I suggest there are grounds for termination of eligibility which are different from satisfying the elements of obtaining eligibility. Furthermore, it is my inclination to put such authority or at least responsibility directly in the hands of the program administrator rather than the AIES people. It would be unfair in my opinion to hold them responsible for decisions based upon facts not readily available to them or subject to concealment by a program administrator!

Concern for the Consumer

I am not prepared to decide finally whether the emerging demands of consumerism constitute an additional dimension which would be the separate independent responsibility of yet another group of decision makers, or if the needs of consumer protection can be apportioned among the several existing dimensions of responsibility for eligibility determination and termination. In other words, some consumer matters might best be policed by the states, some governed through accreditation or its alternative, and the remainder subject to the post-audit authority of the USOE. Fortunately I am not entrapped by the one dimension eligibility concept of the Orlans Report.

Apparently the Orlans people feel that the states "can play a significant role in the enforcement of additional eligibility regulations such as those which OE has proposed for the guaranteed student loan program" (Orlans, page 18). Yet they argue against giving state agencies the power to determine eligibility. Because the Orlans people are obsessed with the one-dimensional approach to eligibility, they have no escape from this cul-de-sac of their making. If only they could accept the multi-dimensional concept of the statutes and the OE that eligibility is a bundle of separate elements, they could easily avoid the dilemma of their own making.

The Orlans observation is most valid that since state "regulatory bodies normally operate on an annual cycle" they can be most helpful in "alerting Washington" to developments. But because Orlans can't conceive of orchestrating the apportionment of eligibility determination and termination to those separate elements which can best do the particular job, he is at a loss as to how at all to utilize in this case the exemplary powers of the states. *Hoist by one's own petard!*

In the one dimensional concept that accreditation or any single source determines eligibility then the long cycle of five or ten years between visits is a "serious deficiency" as Orlans claims. On the other hand, if responsibility is apportioned to several sources, on a best able to do the job basis, as the statutes contemplate, then it is not a serious deficiency. The states can rightfully and expeditiously complement the work of the accrediting agencies. This of course is the view so well articulated by the USOE Acting Deputy Commissioner S. W. Herrell at the Senate Subcommittee on Education Hearings of September 12, 1974.

To force the accrediting agencies to go on an annual cycle of visitation to better regulate eligibility is to force them to abandon their heritage to do the government's bidding. This sort of "regulation by the government should be relaxed," Orlans validly observes (Orlans, page 7). His grasp for a solution exceeds his reach because he is circumscribed once again by his one-dimensional perception.

Current Legislative Proposals

A number of legislative proposals currently are subject to discussion and consideration which would amend or revise eligibility or one or more elements thereof. With no disrespect intended to either the Bell-Pettis proposals or the energetic advocacy of the Arnstein Presidential Commission on Eligibility gambit, I will, in the interest of time, limit my remarks to:

1) H. R. 1462 introduced by Rep. Perkins
2) H.R. 3471 introduced by Rep. O'Hara
3) The response by AICS to a request from Senator Pell for a draft of a proposal which would offer accrediting agencies some protection from lawsuits by creating an alternative to accreditation as it is an element of eligibility.

All the fine spun theories of eligibility determination and the precise parameters of eligibility termination may be for naught if H.R. 1462 proves to be the harbinger of legislatively mandated eligibility of institutions. This pragmatic measure introduced by the Chairman of the House Education and Labor Committee very simply would by statute declare as eligible institutions for the BOG program "any area vocational school (as defined in Section 108(2) of the Vocational Education Act of 1963)." What could be simpler! Student access to BOG sans accreditation, AIES, consumer protection, or Dr. Arnstein's Presidential Eligibility Commission. Furthermore, if such a legislative mandate can solve the problems of the public area vocational schools, then why not the same panacea for the land-grant colleges, the state colleges, or the community colleges? As a matter of fact I personally think there is much to commend this very practical and inexpensive alternative to eligibility. Additionally, I would leave to the most dedicated of consumer protectionists the dubious honor of confronting the powerful Chairman of the House Education and Labor Committee with the allegations of the GAO Report on Public Vocational Schools which contains drop-out statistics even more damning (see page 99) than those hazarded by the FTC in their pursuit of the proprietary schools.

In Section 491 of H.R. 3471, Congressman O'Hara has attempted to centralize into one section the host of eligibility provisions utilized by Title IV of the Higher Education Act. This we endorsed in testimony before the Subcommittee on Postsecondary Education last March 20, 1975, as "a healthy and comprehensive step." We offered several additional suggestions which included:

1) Carrying forward the very special language of Section 435(c)(2) which allocates to the states special additional responsibility with regard to vocational schools having authority to offer a program of education as distinguished from the less demanding language of 435(b)(2) which deals with institutions of higher education.
2) Revision of the three letter rule so that it could be utilized as an alternative to accreditation to take into account realistic consideration of transfer of credits from unaccredited institutions not primarily designed to award academic degrees, but which may be providing programs of education which could be convertible into credits applicable for degrees at institutions which are accredited.
3) A copy of the language drafted at the request of Senator Pell designed to provide accrediting agencies with some measure of relief by establishing an alternative to accreditation as it may be an element of eligibility. The language appears below.

For purposes of this [Act] [Title] notwithstanding any other provision of an institutional definition requiring accreditation by an agency or association recognized by the Commissioner as a necessary element of eligibility, the Commissioner is authorized to prescribe such regulations as may be necessary for the establishment of National Advisory Committee on Institutional Quality and to provide for an alternative method by which such a requisite may be satisfied by an institution which:

(a) is not accredited and as a matter of policy does not wish to be accredited;
(b) has been denied accreditation;
(c) has had its accreditation withdrawn;
(d) for any cause satisfactory to the Commissioner does not have access to accreditation.

This alternative to accreditation as an element of eligibility may be asserted by the institution itself or by a representative group of students for the purpose of determining eligibility for all Federal student assistance funds.

Conclusion

It is as pointless to pick at the loose, but at times racy language of the Orlans Report as it is to hope that the Federal Trade Commission "could be more open" in its dealings as the House Government Operations Committee has suggested. Contrary to James Koerner's thoughtful review of the Orlans Report in *The Chronicle of Higher Education* (April 14, 1975) it is, in my opinion, the superficial analysis of the problems which fall short of the many worthwhile recommendations. An administrative solution would be apparent if those recommendations were to be unleashed from their one-dimension conception for implementation into a realistic three-dimensional world of eligibility determination and termination. However Koerner may be correct, in the long run, that we "got our money's worth." Certainly not for what the Orlans Report said but possibly, perhaps, for the synthesis it may have provoked.

Whether I am merely rationalizing my prejudices or crystalizing my thinking by having read the Orlans Report, I must affirm what I stated to the O'Hara Subcommittee last year that:

> *For the concept of eligibility I think the Congress had in mind a sort of synergistic result of State authority, with accreditation and USOE post-audit authority. I am concerned that as accrediting agencies continue to respond to statutory needs, there can be a possible incompatability with the traditional independent diverse pluralistic and autonomous elements of our education system. But if determinations are to be made rather than open entitlements without the accountability, those decisions can't be made by computers. They have to be made by fallible men and whatever new bodies of judgment somebody would propose, I would just say again in the words of Milton who said,*
>
> *"The new presbyter is but an old priest writ large."*

V. CONFERENCE PRESENTATIONS

2. THE ORLANS REPORT

Accrediting Issues

by

Frank G. Dickey

Provost, University of North Carolina at Charlotte

The various drafts of the Orlans[1] study show a remarkable metamorphosis in attitudes toward accreditation per se; however, little change seems to have taken place in the position taken on the role which USOE should play in its relationships between accreditation and eligibility. From the beginning of this project the survey staff position has been one which would call for a diminishing reliance upon accreditation. Yet, no concrete recommendations regarding other factors to be considered in eligibility determination have been forthcoming. The only new suggestion is an alternate route to eligibility through the "special private committee," but this idea indicates no real difference from accreditation, but rather indicates only a different routing.

Perhaps the major interpretation that may be gained from the study is the fact that at this time accreditation is a necessary and essential element in the process of determining eligibility for funding at the postsecondary level.

Although the report says that "Nothing could do more to revive the value of accreditation to the public than a restoration of the classifications of institutional quality or character which were widespread in its formative years," no indication is given as to how such distinctions would be made or the criteria that could be employed in an era of such diversity amongst postsecondary institutions. If all of our institutions were of the same type, had similar objectives and purposes, and like structure, perhaps the hopes and desires expressed in the study might be possible of realization. Unfortunately, such is not the case and we find ourselves "back where we were" at the beginning of the project.

The Federation of Regional Accrediting Commissions of Higher Education, the coordinating agency for the regional accrediting commissions at the postsecondary level (now a part of the Council on Postsecondary Accreditation), provides the following reasons for institutional accreditation:

(1) fostering excellence in postsecondary education through the development of criteria and guidelines for assessing educational effectiveness;

(2) encouraging institutional improvement of educational endeavors through continuous self-study and evaluation;

(3) assuring the educational community, the general public, and other agencies or organizations that an institution has clearly defined and appropriate educational objectives, has established conditions under which their achievement can reasonably be expected, appears in fact to be accomplishing them substantially, and is so organized, staffed, and supported that it can be expected to continue to do so;

(4) providing counsel and assistance to established and developing institutions;

(5) protecting institutions against encroachments that might jeopardize their educational effectiveness or academic freedom.

The statement of the Federation also holds that "accreditation is attained through a process of evaluation and periodic review of total institutions conducted by regional commissions in accord with national policies and analysis of the problems which fall short of the many worthwhile recommendations. An administrative solution would be apparent if those recommendations were to be unleashed from their one-dimension conception for implementation into a realistic three-dimensional world of eligibility determination and termination. However Koerner may be correct, in the long run, that we "got our money's worth." Certainly not for what the Orlans Report said but possibly, perhaps, for the synthesis it may have provoked.

---

[1] Harold Orlans, et al., *Private Accreditation and Public Eligibility*, Oct 1974.

Whether I am merely rationalizing my prejudices or crystalizing my thinking by having read the Orlans Report, I must affirm what I stated to the O'Hara Subcommittee last year that:

> *For the concept of eligibility I think the Congress had in mind a sort of synergistic result of State authority, with accreditation and USOE post-audit authority. I am concerned that as accrediting agencies continue to respond to statutory needs, there can be a possible incompatability with the traditional independent diverse pluralistic and autonomous elements of our education system. But if determinations are to be made rather than open entitlements without the accountability, those decisions can't be made by computers. They have to be made by fallible men and whatever new bodies of judgment somebody would propose, I would just say again in the words of Milton who said,*
>
> *"The new presbyter is but an old priest writ large."*

V. CONFERENCE PRESENTATIONS

2. THE ORLANS REPORT

Accrediting Issues

by
Frank G. Dickey
Provost, University of North Carolina
at Charlotte

The various drafts of the Orlans study show a remarkable metamorphosis in attitudes toward accreditation per se, however, little change seems to have taken place in the position taken on the role which USOE should play in its relationships between accreditation and eligibility. From the beginning of this project the survey staff position has been one which would call for a diminishing reliance upon accreditation. Yet, no concrete recommendations regarding other factors to be considered in eligibility determination have been forthcoming. The only new suggestion is an alternate route to eligibility through the "special private committee," but this idea indicates no real difference from accreditation, but rather indicates only a different routing.

Perhaps the major interpretation that may be gained from the study is the fact that at this time accreditation is a necessary and essential element in the process of determining eligibility for funding at the postsecondary level.

Although the report says that "Nothing could do more to revive the value of accreditation to the public than a restoration of the classifications of institutional quality or character which were widespread in its formative years," no indication is given as to how such distinctions would be made or the criteria that could be employed in an era of such diversity amongst postsecondary institutions. If all of our institutions were of the same type, had similar objectives and purposes, and like structure, perhaps the hopes and desires expressed in the study might be possible of realization. Unfortunately, such is not the case and we find ourselves "back where we were" at the beginning of the project.

The Federation of Regional Accrediting Commissions of Higher Education, the coordinating agency for the regional accrediting commissions at the postsecondary level (now a part of the Council on Postsecondary Accreditation), provides the following reasons for institutional accreditation:

(1) fostering excellence in postsecondary education through the development of criteria and guidelines for assessing educational effectiveness;
(2) encouraging institutional improvement of educational endeavors through continuous self-study and evaluation;
(3) assuring the educational community, the general public, and other agencies or organizations that an institution has clearly defined and appropriate educational objectives, has established conditions under which their achievement can reasonably be expected, appears in fact to be accomplishing them substantially, and is so organized, staffed, and supported that it can be expected to continue to do so;
(4) providing counsel and assistance to established and developing institutions;
(5) protecting institutions against encroachments that might jeopardize their educational effectiveness or academic freedom.

The statement of the Federation also holds that "accreditation is attained through a process of evaluation and periodic review of total institutions conducted by regional commissions in accord with national policies and

---

1 Harold Orlans, et al., *Private Accreditation and Public Eligibility*, Oct 1974

Mr. **Fulton**. Thank you, sir.

I have read the administration's proposal on eliminating accreditation as an element of eligibility. It raises two questions. Will the eligibility system be any better and will the justifications offered by the administration in support of such a policy maneuver stand the scrutiny of truth and dollars.

I will use one small example, and I hope the committee will possibly, through its own staff, the GAO, or the Congressional Budget Office, ask some serious questions.

The statement the former Secretary claimed this proposal would save a million dollars a year. I read the testimony today, and I understand HEW now claims that it would save half a million. If there is a 100-percent variation in the estimates, I suggest maybe some other questions should be asked.

I would suggest that we also should look at the net cost and not merely the reduction in cost of a particular function. There are those who would estimate it would cost between $25 million and $100 million a year to provide the same service through the States that private accrediting agencies are now offering. This is a serious policy proposal. It changes the whole system of eligibility, and I hope that such a serious proposal will have additional hearings of a specialized nature on this.

In substance, what we have is a three-way system of A, B, and C, the States, the accreditors, and the Federal eligibility people all playing a role, not because they are all good, but because if they each are involved, the incompetence of the other fellow can sometimes be shown up to the advantage of the system.

It is just like I happen to believe that there are two sides to the Hill, and there are two sides to the aisles. Similarly, I believe in a triad system of eligibility, because of the fallibility and all the human failings that can be involved in the flow of Federal money. I mean that very sincerely.

Now, as far as accreditation goes, I would say it wasn't accreditation that led to the problems of the West Coast Trade Schools; it wasn't accreditation that led to the FBI taking over the Dallas regional office of USOE; it wasn't the accreditation that was the last to act with the Lacaze-Gardner Schools here in Washington. I can give you an example right now of why I think it is important that these three elements bring pressure to bear on each other in a sense of creative tension.

I don't think everybody should love each other. I think they should keep each other honest. I represent an accrediting agency that is dealing with a title III institution that is in a tragic mess. Hundreds of thousands of dollars have been poured into this institution, and it is about to lose its accreditation. The State has done nothing, and the program administrators in the Office of Education are not about to do anything despite their rhetoric about stamping out fraud, error, and abuse.

The accrediting agency is going to act, and when that element of eligibility is gone, then the question of eligibility will emerge. For purposes of Title III only it may be timely to provide the commissioner with additional waiver authority in section 302(a)(2).

The question then is, does the administration really want to prevent fraud, abuse and error, or are they once again convicting the duck of not being a swan?

In Mr. O'Keefe's testimony on page 6, he says, "Third, the proposal gives the Federal Government not private entities responsibility for monitoring institutional management of dollars." Their monitoring is only 4 years late in admitting the NDSL mess which my paper identified in 1975.

Now, aside from the fact that we have the VA system before us without even the fiction of the State approval agency, what we are looking at once again is a diversionary tactic. I have heard this routine time and again. In 1972, then Commissioner Bell stood up and said, "We have very little authority to affect in any way the eligibility of a duly accredited institution."

In my paper I have documented in the general education provisions of the law and in the title IV programs statutory citations which then existed, which were then not used by the program administrators in the Office of Education to monitor and to oversee these programs.

We don't need more legislation. My question that I raise with the committee is if A, B and C are the system, and A and B are not doing their job completely, are they going to do it any better if you kick out C?

Those are my concerns. I do hope that there will be additional hearings on a matter so serious as this. I appreciate the opportunity of sharing these views with you.

Mr. Ford. Thank you.

Mr. Saunders?

STATEMENT OF CHARLES SAUNDERS, VICE PRESIDENT, AMERICAN COUNCIL ON EDUCATION

Mr. Saunders. Thank you, Mr. Chairman. I would like to defer comments on the accreditation issues, if you will, and address some of the concerns of the institution-based higher education associations, with the voice of the regulator seen in proposals of the administration for institutional eligibility and student information. Because my remarks will be critical with respect to details, I would like to say up front that we certainly support and strongly support the thrust, the direction of the administration's recommendations in both these areas. We, in general, support the codification requirements for eligibility, and we strongly endorse as far as student information provisions go, the administration's two principal recommendations, that is, to make the student information requirements a prerequisite of institutional eligibility instead of a use to which administrative cost allowances must be put and make such information available to all prospective and enrolled students instead of simply those requesting it. So we do support those primary thrusts.

I would just like to focus attention on some of the details of the draft legislation which give us some serious concern, and they are details, but they are serious to the higher education community which feels very oppressed already with regulations.

Our first concern is the language in the proposed administration bill that institutions must establish a tuition refund policy that the Secretary determines to be fair and equitable.

I speak with some frustration, because we have been fighting what amounts to a guerrilla warfare with the administration over the last 5 years on this issue. The first week I was on the job at the American Council on Education 5 years ago, I addressed a letter to the Office of Education, objecting to their proposed regulations regulating fair and equitable tuition refund policy. The department maintained although they gave no reasons and had no facts or analysis to show that this was a problem, that they wanted to regulate institutional refund policies, and insisted they had the legal right under the law to do it, which we disputed.

Congress spoke on this very clearly in 1976 in specifically rejecting a provision which would have allowed the Commissioner to set fair and equitable refund standards. The conferees declared in the committee report on the 1976 amendments that they had no intention that this requirement be used to justify Federal regulations specifying the exact criteria that institutional refund policies must meet. This made no difference whatsoever to the Office of Education bureaucracy. They continued to maintain that, regardless of what the Congress had said, they still had broad authority and were still going ahead and regulate tuition refund policies. This subcommittee, I know, is familiar with the ins and outs of that battle, and it was with the help of this subcommittee in calling the attention of the Assistant Secretary for Education to the legislative history that finally regulations in this area last year were stopped.

At that point, some rationality entered the picture, and we entered into negotiations with Deputy Commissioner Kornfeld. He undertook a study of the problem, which showed, in fact, that it wasn't so much a problem as a matter of many institutions around the country having various different refund policies, and there seemed to be no commonly understood criteria in the community. Leo Kornfeld challenged us to come up with our own standards. He indicated his own feeling that the Federal Government shouldn't regulate in this area, and I think one of the things I am proudest of on behalf of the higher education community over the last few years is the way the community responded.

I would like to submit for the record, Mr. Chairman, the front page lead story in the Chronicle last week, which tells this story about the efforts of the community to regulate itself on tuition refund policy. That article, incidentally, includes a very relevant quote from Leo Kornfeld, in which he said:

> There is no question in my mind that the refund policy standards that the National Association of College and University Business Officers and the American Council of Education have put out are significantly better than the Federal Government could ever put out. They are more equitable, they are more practical, they are more livable, and the effect is we are not going to put out regulations on refund policies.

As I say, we were negotiating in good faith with the department, and I have no question about the good faith of Mr. Kornfeld. He is an honorable man, but I wonder what is happening in the department when they trot up a few weeks later with language declaring that the Secretary should determine what fair and equitable refund policies are and force all institutions to go to the Secretary and say, would you tell us whether our policies are fair and equitable?"

I think this is very disturbing, and our proposal is simply that this subsection strike out reference to the secretarial determination and maintain, as currently understood, that the institution shall establish and maintain a fair and equitable refund policy.

I also have a question on this issue which I would like to raise for Mike O'Keefe, while he is here, because under this institutional eligibility provision in the department's testimony last week, page 23 of the Secretary's statement, it says that the "institutions will be required as part of these conditions to report their dropout rates" and in page 40 of the appendix of that same statement, says, "The Commissioner will undertake a study to determine minimally acceptable dropout rates which would then be incorporated in standards for eligibility."

Now, I find no such reference to standards in the draft legislation, and it is, as I say, a little curious or questionable as to what the administration is after here. I simply suggest that whatever they are after, it is wrong. I don't see that there is a national problem of dropout rates that we have to get every institution reporting to the Federal Government what its dropout rates are. I would submit that dropout rates will vary according to the type of institution, the economic conditions of the region or local community; vary on a lot of different grounds, and the idea of having the Commissioner or the Secretary establish a national standard for a dropout rate is educational idiocy, it seems to me.

I just have a couple of comments on the student information provisions, and I did want to call your attention, as I say, to the regulatory mind at work. If I could call your attention to page IV-F-7 of the administration's proposed language, subsections (I), (J), and (K). I haven't mentioned in my testimony subsection (I), which says that the institution shall accurately describe special facilities and services available to handicapped students. I don't see that we could object to this, except to ask why. I would presume that any institution which has gone to the trouble of arranging special facilities and services for handicapped students would do their utmost to call their attention to it. But this places a new Federal requirement on institutions to call their attention to it, and it, in effect, places institutions in a double jeopardy, because now under section 504, they have to make facilities available, and this new regulatory provision implicitly says that an institution could spend thousands of dollars on the development of special facilities, but it still could have its Federal funds cut off if some bureaucrat doesn't like the P.R. it put out to call attention to the facilities.

Subsection (J)—the institution shall accurately describe whether or not it offers a course or courses of study intended to prepare students for a particular vocation, trade, profession or career field. I call attention to the language "whether or not." It apparently won't be sufficient to the bureaucrats at the Office of Education just to describe courses that do prepare for career fields; you are going to have to describe the courses that don't prepare people for a career field. I can see the institutions submitting catalogs identifying which course has nothing to do with anything whatever, and which course is valuable as training for an occupation.

That again is a good example of busy work in the Office of Education. It doesn't do anything for paperwork, either.

Subsection (K) talks about providing placement data for all courses of study leading to employment. This is an attempt to write into legislation regulations which exist, but which are much less restrictive than this. We had much communication back and forth with the Office of Education over the years, and the Office concluded that, where an institution didn't have accurate placement data, it could use regional or State, or national data. This proposed language would require the institution to provide data on where their students are employed and what salary they are getting.

Most institutions don't have this data; they see no responsibility for getting it. It is meaningless; it could only be obtained on a voluntary basis, and any data which could be derived would be relatively worthless. We did a study of this a couple years ago, when the Office of Education set out to regulate this, which indicated it would probably cost every institution an average of $10,000 to conduct such a study and to process it and provide information which, when finally obtained, would be meaningless.

So I simply conclude, Mr. Chairman, that these are good examples of the concerns that the community has with the regulatory mind and busy work, and we see no reason for including detailed new requirements like these on every institution in the country in what are otherwise some very good sound new proposals from the administration.

[The information referred to above follows:]

Comments on Administration's Institutional Eligibility and Student Information Recommendations

to

House Subcommittee on Postsecondary Education

July 25, 1979

by

Charles B. Saunders, Jr.
Vice President for Governmental Relations
American Council on Education

1. Institutional Eligibility (Sec. 492)

This is a reasonable codification of requirements, with one glaring exception: the provision of Subsection (3) that institutions establish a tuition refund policy "that the Secretary determines to be fair and equitable."

We propose that this Subsection read simply: "The institution shall establish and maintain a fair and equitable refund policy concerning student tuition and other fees."

Congress specifically rejected a provision authorizing the Commissioner to set criteria for "fair and equitable" refund policies in 1976, when the conferees on P.L. 94-482 agreed on substitute language requiring institutions to publish information about their refund policies. The Conference Report (p. 201) declared: "The managers state that they do not intend this new requirement to be used to justify federal regulations specifying the exact criteria institutional refund policies must meet."

Thus Congress recognized that tuition refund policies are an institutional (not a federal) responsibility. The higher education community has worked for over a year to develop guidelines for meeting this responsibility which could be accepted throughout the community. To give the Secretary final judgment in this matter, as the Administration proposes, would sabotage a notably successful effort by the community to regulate itself.

2. Student Information (Sec. 493A)

We endorse the Administration's two principal recommendations, to make the student information requirements a prerequisite for institutional eligiblity (instead of simply a use to which administrative cost allowances must be put), and to make such information available to all prospective and enrolled students (instead of only those requesting it).

We oppose two new requirements the Administration is proposing in clauses (J) and (K).

As drafted, (J) seems to require that institutions identify which courses it offers to prepare students for a profession or career field, and which it offers for no practical reason whatever. We see no reason for such bureaucratic intrusion.

Clause (K) seems to be an effort to write into law current regulations requiring alumni placement data for courses which the institution claims prepare students for a particular field. It is much more restrictive than current regulations, which permit the institution to provide regional or national employment data when statistically meaningful data cannot be obtained from its own alumni. The language as drafted is excessive, unrealistic, and unreasonable. It would force institutions to set up costly procedures for surveying alumni on their employment and salary, without any expectation that the data obtained would have any statistical validity. HEW has provided no reasons for imposing such a dubious regulatory exercise, and we know of none.

THE CHRONICLE
of Higher Education

July 16, 1979

Education Associations Move to Ease 'Heavy Hand' of Federal Government

They endorse self-regulatory policies on admitting students and refunding fees

By Cheryl M. Fields

WASHINGTON

Attempting to ward off more government regulation, several higher-education associations [illegible] endorsed two sets of principles they say should guide institutions in recruiting and admitting students and in refunding fees to them.

The guidelines are part of a bid by the associations to show that colleges and universities can regulate themselves without the government's stepping in with detailed requirements, said Elaine H. El-Khawas, director of the American Council on Education's Office on Self-Regulation Initiatives.

The bid already has paid off. The "General Policy Guidelines for Refund of Student Charges" have persuaded the Office of Education not to proceed with developing its own regulations for such refunds, as it had been planning to do under authority of the Education Amendments of 1976.

Seek Consumer Views

The guidelines on refunds, which were drafted by the National Association of College and University Business Officers, recommend that institutions of higher education "seek consumer views in the process of establishing and amending charges and refund structures."

They advise institutions to require that requests for refunds be written, that they process refunds "on a timely basis," and that they publicize the fact that an appeals process exists for students or parents who think exceptions from an institution's published refund policy should be made.

Besides the business officers' group, the board of directors of the American Council on Education and seven other associations have approved the guidelines on refunds and will encourage their members to follow them.

The "Joint Statement on Principles of Good Practice in College Admissions and Recruitment" touches some of the areas in which the Carnegie Council on Policy Studies in Higher Education warned recently that it had detected ethically dubious behavior by some institutions.

It states the following first principle of recruitment by colleges and universities:

"Admissions counselors are professional members of their institution's staff. As professionals, they receive remuneration on a fixed salary, rather than commission or bonus based on the number of students recruited."

Another principle states:

"Admissions counselors are forthright and accurate and give comprehensive information in presenting their institutions to high school personnel, prospective students, and their parents."

A third principle says that institutions should "state clearly the application procedures for transfer students by informing candidates of deadlines, documents required, courses accepted, and course equivalency."

The new statement was developed by the American Association of Collegiate Registrars and Admissions Officers, the College Board, the National Association of College Admissions Counselors, and the National Association of Secondary School Principals. The board of directors

The texts of the guidelines on admissions and on refunding student charges appear on Page 5.

Continued

Higher-Education Groups Back Self-Regulation

Continued

of the A.C.E. also has approved it.

Praising the development of the guidelines for refunds, Leo L. Kornfeld, deputy commissioner of the Bureau of Student Financial Assistance, told a recent meeting of the National Association of College and University Business Officers:

"There is no question in my mind the refund policy standards that N.A.C.U.B.O. and A.C.E. have put out are significantly better than the government could ever have put out.

"They are more equitable, they are more practical, they are more livable, and . . . the net effect [is] that we are not going to put out regs on refund policies."

If institutions "want to get out from the very heavy hand of the federal government," he added, they must move in and show they can regulate themselves.

Skeptics Become Believers

Just how effective the efforts at self-regulation will be in the long run is uncertain, but some skeptics have become believers, Ms. El-Khawas indicated.

In fact, she added, "if you had asked me a year ago whether we could reach agreement on principles concerning refunds, I would have said I doubted that it could be done.

"Self-regulation was something mentioned at the end of speeches given by administrators complaining about what was being done to colleges."

The small project she directs is designed to help coordinate the efforts of the American Council on Education and other associations on various types of self-regulation. It is the outgrowth of an earlier committee on self-regulation headed by John D. Phillips, president of the National Association of Independent Colleges and Universities.

An Institutional Matter

Although the standards on refunds do not appear to be much of a departure from the practices that many institutions have followed in the past, Steven C. Hychka, a federal-relations official at the business officers' association, noted: "It is a basic premise of institutions that it is an institutional matter how they deal with their students.

"Institutions do vary greatly and they don't like anyone telling them what to do. Many had the idea that self-regulation was as bad as regulation by the government, that any standards not generated from within the institution . . . should not be proposed."

Some institutions, he acknowledged, were apprehensive about the financial implications of the guidelines as well.

Besides the business-officers group and the A.C.E., the other organizations that have approved the refund guidelines were the American Association of Community and Junior Colleges, the American Association of State Colleges and Universities, the Association of American Universities, the Association of Jesuit Colleges and Universities, the National Association of Independent Colleges and Universities, the National Association of State Universities and Land-Grant Colleges, and the National Catholic Education Association.

"I want to stress that we are not developing requirements. We are developing principles and standards," said Ms. El-Khawas. "Institutions must have flexibility. Colleges should take the guidelines as principles, but each college should adapt them to its needs."

Many associations in the past have approved policy statements and guidelines that amounted to self-regulation of parts of institutions' activities, she added. The National Association of College Admissions Counselors, for example, has had a statement outlining principles for such counselors since the 1940s, said a spokesman.

Student-Aid Projects

But having various associations take the lead in developing principles and then submitting them for review by other groups "is a new way to focus efforts that some associations have always undertaken," Ms. El-Khawas said.

Not all of the self-regulation projects on which the associations are working are like admissions and refunds, where the government has not issued regulations.

Two other projects involve the administration of student financial aid, which already is heavily regulated by the federal government, Ms. El-Khawas said, but "where there still is an opportunity for self-regulation."

The business officers' association has developed a manual for persons closely concerned with the administration of student aid on individual campuses. It will be ready for distribution soon.

"What's new is that it looks at aid not from the point of view of the laws that govern student assistance . . . but looks at the role of the vice-president for student affairs, the role of the aid officer, comptroller, bursar. It talks about the checks and balances that should exist" in the management of an institution's financial-aid money, Mr. Hychka said.

"I think the manual will prompt a lot of questions among administrators," he said, adding that it should be used "as a guide to self-study."

To complement the N.A.C.U.B.O. manual, Ms. El-Khawas said, the council is developing a short general guide for college presidents and trustees.

"It is designed to make sure the presidents recognize the importance of aid, have some sense of the timelines involved and ways to monitor the process," she said.

The council and the National Association of Student Personnel Administrators are working on a project, following Carnegie Council recommendations, to help institutions conduct a "self-study of fair practice" concerning students.

That may be more of a "technical assistance" project than a development of principles, said Ms. El-Khawas, but it is another example of how self-regulation can operate.

She said the associations would probably try to compile examples and case studies of especially good programs used by institutions for such activities as student orientation sessions, billing practices, processes for resolving student grievances, and career counseling and placement.

A general "code of fair practice" designed to help institutions review their dealings with students was developed by the A.C.E. and the Council on Postsecondary Accreditation. The proposed code, and suggestions from several campus administrators for changing or improving, will be published in the next issue of the council's *Educational Record*.

"No single code can be expected to fit all colleges and universities," Ms. El-Khawas stressed. But she added, "If we can improve our ability . . . to respond to issues directly without waiting for government action, we might achieve some net reduction in the amount of government regulation."

Putting Pressure on Colleges

"We recognize that the publication of standards and principles is putting pressure on colleges to respond," Ms. El-Khawas said. "But if we are doing things right, we should be dealing with issues in which there is a strong public interest."

Regulations result from some public or consumer interest, she added, but often "when people see a regulation, they don't remember the reason behind it."

Not all association leaders were as optimistic that efforts toward self-regulation could actually reduce the amount of government regulation.

Said one: "Self-regulation depends on whether the outside forces that want to see you regulated will allow it to exist. It can work where there is an atmosphere of trust . . . but not in other areas if the people in charge of regulation have the idea that you're trying to rip them off.

"I think there are some areas where we will be able to come up with reasonable standards that will work, for example, in our relations with students and faculty," he said. "But in the area of financial audits and accountability, we are not speaking the same language.

"I don't think that generally we will get rid of regulation. I don't think that our members will let themselves even be self-regulated in certain areas where they felt they must retain their institutional autonomy."

Text of Guidelines on Refunds of Student Charges

WASHINGTON

Following is the text of "General Policy Guidelines for Refund of Student Charges" developed by the National Association of College and University Business Officers and endorsed by nine organizations.

1 The governing board of the institution should review and approve the schedule of all institutional charges and refund policies applicable to students. The pricing of services and refund policies have important consequences to students, parents, the institution and society; as such, pricing and refund policies should receive board attention and approval.

2 Institutions should seek consumer views in the process of establishing and amending charges and refund structures. Decisions regarding institutional funds are ultimately the sole responsibility of the institution's legally designated fund custodians. However, consumer concerns do affect decision making, and involving consumers in decision making related to charges and refunds is a desirable approach for assessing student needs and creating public awareness of institutional requirements.

3 Institutions should publish a current schedule of all student charges, a statement of the purpose for such charges, and related refund policies, and have them readily available free of charge to current and prospective students. Students and parents have a right to know what charges they will be expected to pay and will or will not be refunded. They also have a right to know what services accompany payment of the charges. Informational materials published free for students and prospective students are ideal for this purpose.

4 Institutions should clearly designate all optional charges as "optional" on all published schedules and related materials. Clearly, charges that are mandatory and charges that are optional must be differentiated well in all printed materials. Also, the institution should make it clear in its schedule if a charge is optional for some students but required for others. Statements accompanying the schedule may include institutional endorsements of the optional program or service.

5 Institutions should clearly identify charges and deposits that are non-refundable as "non-refundable" on all published schedules. Institutions determine on an individual basis which of their charges are refundable or non-refundable. In general, admissions fees, application fees, laboratory fees, facility and student activity fees, and other similar charges are not refundable. Such fees are generally charged to cover the costs of activities such as processing applications and other student information, reserving academic positions, and establishing the limits of institutional programs and services, reserving housing space, and otherwise setting the fixed costs of the institution for the coming academic period.

Institutions determine on an individual basis which of their deposits are refundable or non-refundable. Some deposits will be non-refundable or will be credited to a student's account (e.g., tuition deposits). Others are refundable according to the terms of the deposit agreement (e.g., deposits for breakage).

6 Institutions should refund housing rental charges, less a deposit, so long as written notification of cancellation is made prior to a well-publicized date that provides reasonable opportunity to make the space available to other students. Written notification on or before the beginning of the term of the contract is necessary to ensure utilization of housing units. During the term of the contract, room charges are generally not refundable. However, based on the program offered, space availability, debt service requirements, state and local laws, and other individual circumstances, institutions may provide for some more flexible refund guideline for housing.

7 Institutions should refund board charges in full, less a deposit, if written notification of cancellation is made prior to a well-publicized date that falls on or before the beginning of the term of the contract. Subsequent board charges should be refunded on a pro rata basis less a withdrawal fee. It is reasonable to make a refund for those goods and services not consumed. The withdrawal charge should reflect that portion of an institution's costs that are fixed for the term of the contract.

8 The institutional tuition refund policy for an academic period should include the following minimum guidelines:

1. The institutions should refund 100 per cent of the tuition charge, less a deposit fee, if written notification of cancellation is made prior to a well-publicized date that falls on or before the first day of classes.

2. The institution should refund at least 25 per cent of the tuition charge if written notification of withdrawal is made during the first 25 per cent of the academic period.

It is reasonable to refund tuition charges on a sliding scale if a student withdraws from his or her program prior to the end of the first 25 per cent of the academic period, but at least 25 per cent should be refunded during this period unless state law imposes a more restrictive refund policy.

9 The institution should assess no penalty charges where the institution, as opposed to the student, is in error.

The institution should make refunds in cases where the institution has assessed charges in error. Penalty charges, such as those involving late registration fees, change of schedule fees, late payment fees, should not be assessed if it is determined that the student is not respon- for the action causing the charge to be levied.

10 Institutions should advise students that any notifications of withdrawal or cancellation and requests for refund must be in writing and addressed to the designated institutional officer.

A student's written notification of withdrawal or cancellation and request for a refund provides an accurate record of transactions and also ensures that such requests will be processed on a timely basis.

Acceptance of oral requests is an unacceptable practice.

11 Institutions should pay or credit refunds due on a timely basis. The definition of "timely basis" should include the time required to process a formal student request for refund, to process a check where required, and to allow for mail delivery, when necessary.

*If an institution has a policy that a refund of an inconsequential amount will not be made, such policy should be published as a part of all materials related to refund policies.

12 Institutions should publicize, as a part of their dissemination of information on charges and refunds, that an appeals process exists for students or parents who feel that individual circumstances warrant exceptions from published policy.

The informational materials should include the name, title, and address of the official responsible.

While charges and refund policies should reflect extensive consideration of student and institutional needs, it will not be possible to encompass in these structures the variety of personal circumstances that may exist or develop.

Institutions are required to provide a system of due process to their students, and charges and refund policies are legitimately a part of that process.

Students and parents should be informed regularly of procedures for requesting information concerning exceptions to published policies.

THE CHRONICLE OF HIGHER EDUCATION
July 16, 1979

Statement of Principles in Admissions and Recruitment

WASHINGTON

Following is the text of the "Joint Statement on Principles of Good Practice in College Admissions and Recruitment" developed by the American Association of Collegiate Registrars and Admissions Officers, the College Board, the National Association of College Admissions Counselors, and the National Association of Secondary School Principals.

1

Admissions Promotion and Recruitment

1.1—Principles relating to colleges and universities

A. Admissions counselors are professional members of their institution's staff. As professionals, they receive remuneration on a fixed salary, rather than commission or bonus based on the number of students recruited.

B. When admissions counselors are responsible for the development of publications used for their institution's promotional and recruitment activities designed to elicit the interests of prospective students, these publications should:

▶ State clearly and precisely requirements for secondary school preparation, admissions tests, and transfer-student admissions requirements;

▶ Include a current and accurate admissions calendar;

▶ Give precise information about opportunities and requirements for financial aid;

▶ Describe in detail any special programs such as overseas study, early decision, early admission, credit-by-examination, or advanced placement;

▶ Contain descriptions of the campus and community that are current and realistic.

C. Colleges and universities are responsible for all people whom they involve in admissions, promotional, and recruitment activities (including their alumni, coaches, students, faculty) and for educating them about the principles outlined in this statement.

Colleges and universities that engage the services of admissions management firms or consulting firms are responsible for assuring that such firms adhere to the principles stated herein.

D. Admissions counselors are forthright and accurate and give comprehensive information in presenting their institutions to high-school personnel, prospective students, and their parents. They:

▶ State clearly the admissions and other requirements of their institutions;

▶ Make clear all dates concerning application, notification, and candidates' reply requirements, for both admissions and financial aid;

▶ Furnish data descriptive of currently enrolled classes;

▶ Avoid unfavorable comparisons with other institutions.

E. Admissions counselors avoid unprofessional promotional tactics, such as:

▶ Contracting with high-school personnel for remuneration for referred students;

▶ Contracting with placement services that require a fee from the institution for each student enrolled;

▶ Encouraging students to transfer if they have shown no interest in doing so.

F. Admissions counselors do not recruit students enrolled and registered at other colleges or universities unless the students initiate inquiries themselves, or unless cooperation is sought from institutions that provide transfer programs.

1.2—Principles relating to schools

Schools will:

A. Provide a program of counseling that is accurate and comprehensive with respect to the college opportunities sought by students and available to them.

B. Encourage students and their parents to take the initiative in learning about colleges and universities.

C. Invite college and university representatives to assist in counseling candidates about college opportunities.

D. Avoid unfavorable comparisons with other institutions.

E. Refuse unethical or unprofessional requests (*e.g.*, for lists of top students, lists of athletes, etc.) from college or university representatives (*e.g.*, alumni, coaches, etc.).

F. Refuse any reward or remuneration from a college, university, or private counseling service for placement of their school's students.

1.3—Principles relating to community agencies

Such agencies will:

A. Provide accurate descriptions for schools and colleges of the services available through their agencies, since it is the responsibility of community agencies to make such services known to students, parents, secondary schools, and colleges.

B. Provide students with up-to-date information on postsecondary institutions and processes.

C. Assist students in discovering the colleges that meet their abilities, needs, and interests.

D. Counsel students on all postsecondary options: college, vocational education, job opportunities.

E. Report to secondary schools on their respective students so that accurate files can be maintained in the schools.

1.4

College fairs, clearinghouses, and matching services that provide liaison between colleges and universities and students shall be considered a positive part of the admissions process if they effectively supplement other high-school guidance activities and adhere to the principles of good practice stated herein.

2

Application Procedures

2.1

Colleges and universities will:

A. Accept full responsibility for admissions decisions and for proper notification of those decisions to candidates and, when possible, to secondary schools.

B. Receive information about candidates in confidence and respect completely, within the confines of federal and/or state laws, the confidential nature of such data.

C. Not apply newly revised requirements to the disadvantage of a candidate whose secondary school course has been established in accordance with earlier requirements.

D. Notify candidates as soon as possible if they are clearly inadmissible.

E. Not deny admission to a candidate on the grounds that their institution does not have aid funds to meet the candidate's apparent financial need, except for foreign students.

F. Not require candidates or their schools to indicate the order of candidates' college or university preferences, except under early decision plans.

G. Permit candidates to choose without penalty among offers of admission until they have heard from all colleges to which they have applied, or until the date established under the Candidates Reply Date Agreement.

H. Maintain a waiting list of reasonable length and only for a reasonable period of time.

I. State clearly the application procedures for transfer students by informing candidates of deadlines, documents required, courses accepted, and course equivalency.

2.2

Secondary schools will:

A. Provide for colleges and universities accurate, legible, and complete transcripts for their school's candidates.

B. Describe their school's marking system and method of determining rank in class.

C. Describe clearly special curricular opportunities (*e.g.*, honors, advanced placement courses, seminars, etc.).

D. Provide accurate descriptions of the candidates' personal qualities that are relevant to the admissions process.

E. Report any significant change in candidates' status or qualifications between the time of recommendation and graduation.

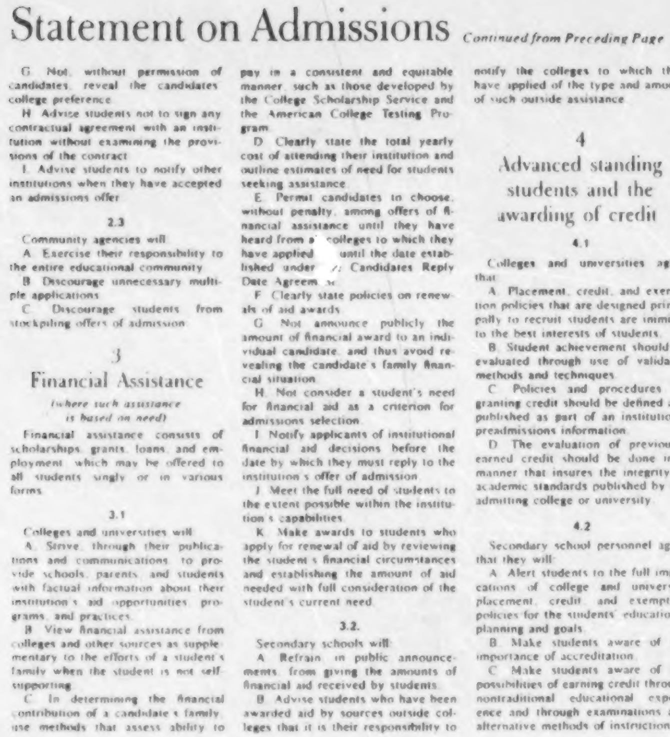
F. Urge candidates to recognize and discharge their responsibilities in the admissions process by:

▶ Complying with requests for additional information in a timely manner;

▶ Responding to institutional deadlines on admissions and refraining from stockpiling acceptances;

▶ Responding to institutional deadlines on room reservations, financial aid, health records, and prescheduling where all or any of these are applicable.

Continued on Following Page



Statement on Admissions

Continued from Preceding Page

G. Not, without permission of candidates, reveal the candidates' college preference.

H. Advise students not to sign any contractual agreement with an institution without examining the provisions of the contract.

I. Advise students to notify other institutions when they have accepted an admissions offer.

2.3

Community agencies will:

A. Exercise their responsibility to the entire educational community.

B. Discourage unnecessary multiple applications.

C. Discourage students from stockpiling offers of admission.

3

Financial Assistance

(where such assistance is based on need)

Financial assistance consists of scholarships, grants, loans, and employment which may be offered to all students singly or in various forms.

3.1

Colleges and universities will:

A. Strive, through their publications and communications, to provide schools, parents, and students with factual information about their institution's aid opportunities, programs, and practices.

B. View financial assistance from colleges and other sources as supplementary to the efforts of a student's family when the student is not self-supporting.

C. In determining the financial contribution of a candidate's family, use methods that assess ability to pay in a consistent and equitable manner, such as those developed by the College Scholarship Service and the American College Testing Program.

D. Clearly state the total yearly cost of attending their institution and outline estimates of need for students seeking assistance.

E. Permit candidates to choose, without penalty, among offers of financial assistance until they have heard from a[illegible] colleges to which they have applied [illegible] until the date established under [illegible] Candidates Reply Date Agreem[illegible].

F. Clearly state policies on renewals of aid awards.

G. Not announce publicly the amount of financial award to an individual candidate, and thus avoid revealing the candidate's family financial situation.

H. Not consider a student's need for financial aid as a criterion for admissions selection.

I. Notify applicants of institutional financial aid decisions before the date by which they must reply to the institution's offer of admission.

J. Meet the full need of students to the extent possible within the institution's capabilities.

K. Make awards to students who apply for renewal of aid by reviewing the student's financial circumstances and establishing the amount of aid needed with full consideration of the student's current need.

3.2.

Secondary schools will:

A. Refrain, in public announcements, from giving the amounts of financial aid received by students.

B. Advise students who have been awarded aid by sources outside colleges that it is their responsibility to notify the colleges to which they have applied of the type and amount of such outside assistance.

4

Advanced standing students and the awarding of credit

4.1

Colleges and universities agree that:

A. Placement, credit, and exemption policies that are designed principally to recruit students are inimical to the best interests of students.

B. Student achievement should be evaluated through use of validated methods and techniques.

C. Policies and procedures for granting credit should be defined and published as part of an institution's preadmissions information.

D. The evaluation of previously earned credit should be done in a manner that insures the integrity of academic standards published by the admitting college or university.

4.2

Secondary school personnel agree that they will:

A. Alert students to the full implications of college and university placement, credit, and exemption policies for the students' educational planning and goals.

B. Make students aware of the importance of accreditation.

C. Make students aware of the possibilities of earning credit through nontraditional educational experience and through examinations and alternative methods of instruction.

Mr. **Ford**. Ms. Baron?

STATEMENT OF KATHRYN BARON, NATIONAL STUDENT EDUCATIONAL FUND

Ms. **Baron**. Mr. Chairman, members of the subcommittee, thank you for the opportunity to speak here today.

My name is Kathryn Baron, Project Director with the National Student Educational Fund. I am pleased to provide initial reactions to the administration's proposals in the areas of accreditation, institutional eligibility, consumer information and financial aid application forms. These are areas in which the National Student Educational Fund has worked for several years with the goal that no persons be denied postsecondary education for lack of money, information, counseling or programs to meet his or her needs.

The U.S. student association joins with NSEF in this testimony. We are pleased that the administration has been examining the best roles for the Office of Education, the State agencies, institutions, financial aid processing services, and student peer counselors in providing good information and financial aid services to students and prospective students.

We are also pleased with the proposal to make the student consumer information standards a part of institutional eligibility, the encouragement of institutions to use work study students as financial aid peer counselors and academic tutors in junior and senior high schools and to provide financial aid processing free to the students.

We feel that OE should be providing technical assistance and models of good peer counseling. This has been the emphasis and goal of NSEF better information project, to set standards and provide technical assistance for student projects.

I would also like to mention the student commissioner conference organized by NSEF, USSA and COPA, which seek to educate students on financial aid issues so they can go back to the campuses and become providers of information for their peers.

We are concerned that there is no real encouragement being provided for the system here and peer counselors and would suggest perhaps that the Government fund the college work study students who are doing peer counseling at 100 percent rather than 80 percent.

I would also like to mention at this time about refund policies. The U.S. student association and COPA have been working with the American Council on Education and other associations in the development of voluntary self-regulation in the area of tuition refund. We like the voluntary guidelines; we feel in some ways they are better than those provided by the Office of Education, but our problem is with enforcement, and we feel that with the 8,000 or so institutions in this country that some of these may take advantage of voluntary guidelines and perhaps HEW should assume some kind of enforcement role with those guidelines proposed by ACE.

We also endorse the initiative in separating Federal regulation of accrediting organizations from the establishment of quality of academic financial aid and information services. We are concerned that the Office of Education is not providing any standard in place of this deregulation, however, to ensure that students are not misled and taken advantage of. We feel that the Office of Education should require State licensing, and propose Federal self-study standards with student participation similar to that developed by the American Institute for Research, and described in this report, which is entitled "Accreditation Agency Field Test of Institutional Self-Study Form," which describes different forms of self-study that can be undertaken by each institution.

We are disappointed that consumer information strategies are not reinforced by:

First. Designating of responsibility of the Commissioner to ensure through leadership and coordination of efforts by the Federal, State, institutions and consumer groups that every potential student learns about financial rights to attend postsecondary education;

Second. Setting of measurable standards for institutional information in comparable formats, in catalogs, in computerized career information systems in high school and community agencies in consumer service audits of financial aid and information services;

Third. Identifying maintenance of effort provisions for administrative cost allowances; and

Fourth. Involving consumers in the process through campus financial aid grievance committees and in institutional self-studies of consumer protection.

We are further disappointed that HEW has gone through its normal attempted abdication of responsibility for supporting State postsecondary educational planning. I am referring to the proposed elimination of State planning agencies or 1,202 commissions. The provision of consumer information is particularly one which needs a stable Federal/State relationship in planning the collection and provision of high quality, useful information to each student, prospective student and family.

In addition, we are very interested to see the specific proposal for the elimination of application processing fees. We hope it involves a comprehensive proposal to cover the Basic Grant processing, processing for State grant aid and for discretionary aid distributed by institutions.

In sum, we recommend that Congress, in adopting HEW's recommendations, begin by placing clear responsibility on the Office of Education for providing information to prospective students through annual cooperative efforts with States, institutions, processing agencies, and consumer groups.

I have an example of a State agency publication which should have been distributed. It is a financial aid workbook produced by the State of California for all high school seniors, and this has worksheets and everything for the student, prospective students and family, which will tell them how much aid they can expect to get from each individual institution, private or public, they should choose to attend.

Two, conducting a feasibility study of financial aid data banks which would require comparable cost and financial aid data from college.

Three, require consumer service audits of institutions' aid and information services by surveying a percentage of financial aid applicants.

Fourth, establishing a maintenance-of-effort provision for cost allowances.

We also feel strongly that administrative allowances should be funded in addition to, rather than subtracted from, the student aid money.

Five, requiring financial aid grievance committees, with student participation.

Ms. BARON. No. 6, not eliminating the regulation of accrediting organizations unless the Office of Education provides an alternative plan for monitoring or improving the quality of academic services.

Other concerns in the information are included in Joel Packer's testimony before this subcommittee of June 12 for the United States Student Association on Student Information and Student Consumer Protection.

This concludes our testimony.

Thank you very much for the opportunity to be here.

Mr. FORD. Thank you.

Ms. Knudson?

STATEMENT OF BARBARA KNUDSON CHAIRWOMAN, ACCREDITATION ADVISORY COUNCIL

Ms. KNUDSON. I am Barbara H. Knudson, professor of continuing education and criminal justice studies at the University of Minnesota.

I have served for this past year as chairperson of the Commissioner of Education's Advisory Committee on Accreditation and Institutional Eligibility.

That committee is chartered by the Secretary of HEW to "review and advise the Commissioner of Education in the formation of all current and future policy relating to the matter of institutional eligibility."

This is only one among the many important functions which the Advisory Committee performs.

I appreciate the invitation to talk with you this morning about the department's proposal, "to sever completely the link between private accreditation and institutional eligibility for Higher Education Act programs."

This program, Mr. Chairman, is, in my opinion not desirable, and I recommend to the members of this subcommittee that you carefully study it before you take any form of action.

I will try to be very brief. To do this and still cover the subject, I have brought with me a set of documents from my files which will give you a more comprehensive picture of the Federal eligibility system and which I would like to enter into the record.

The Office of Education's system for determining institutional eligibility derives from at least 26 specific statutory authorizations issued over the past 27 years, dating back to the post-World War II era.

From them has emerged a system using three complementary bases on which eligibility determinations depend. The three elements of eligibility are, as you have heard stated, State licensure and/or approval, and accreditation by a nationally recognized agency or association, and Federal statutory and regulatory program requirements.

I personally support this system because it allows for a partnership among these three important societal forces: The private sector, the States, and the Federal Government.

Each has an integral role to play.

The States attest to "minimum conditions to operate"; accrediting agencies are concerned with "minimum standards of educational quality"; and Federal program managers provide program or post-audit reviews of institutions partipating in Federal programs.

It is important to note that this historical commitment of support by the Congress and the Office of Education to the role of private accreditation in the eligibility process has to date precluded the development of Federal or State plans to control, supplant, or compete with the recognized accrediting agencies, thus effectively control higher education in this Nation.

This support of nongovernmental voluntary accrediting associations may well be the most significant benefit of all flowing from the current eligibility system. Neither the States, the Federal Government, nor the accrediting community should singlely exercise the eligibility function.

It is and should remain a collective, coordinated endeavor in which the public is the main beneficiary.

The department's proposal, however, would sever this important linkage to self-regulation on the part of higher education. The proposal would remove accreditation as the "quality control" mechanism in determining institutional or program eligibility. In its place a Federal-State mechanism would be inserted.

While accreditation today serves as an effective countervailing element to State and Federal action in the eligibility process, tomorrow may well see the shape and condition of American higher education change, in which directions it is difficult to assess and somewhat frightening.

I believe that the proposed Federal-State system of eligiblity invites a kind of rigidity which will make any past practices moving this Nation towards standardization of education look like child's play.

I am not alone, Mr. Chairman and members of the committee, in my thinking about this. Indeed, what I find astonishing about the Department's proposal is that it runs counter to most, if not all, of the major research on the eligibility process. Support for the present triad of State licensing, private accreditation, and Federal eligibility regulation is found in all recent studies of the eligibility process, for example:

The 1974 Brookings study on private accreditation and public eligibility, and the findings that year of the House Government Operations Subcommittee;

The 1975 study by the Federal Interagency Committee on Education on a Federal Strategy for Protection of the Consumer of Education, and the ERIC Higher Education Research Report on Accreditation and Institutional Eligibility;

The 1976 study by the American Institutes for Research on Improving the Consumer Protection Function in Postsecondary Education, recently just alluded to by our representative of the Student Association, and the Institutes 1978 study on State Oversight in Postsecondary Education, and this year the General Accounting Office study on institutional eligibility, which pointed out, to be sure, some problems, but still supported the triad notion and the most recently of all, the Carnegie Council report entitled, Fair Practices in Higher Education.

None of these studies calls for the present eligibility system's dissolution or for the removal of the accreditation component. While acknowledging some needs for improvement, the system is perceived as having effective "economic and balances" and as having served the Nation well.

There is another important perspective on the subject.

Since 1968, every Commissioner's Advisory Committee on Accreditation and Institutional Eligibility has reviewed policy issues concerned with the eligibility process and has endorsed continued reliance on the triad arrangement.

Each review has also been accompanied by a recommendation to strengthen the Office's review of accrediting bodies. In addition, the committee has urged that the State licensing role in the eligibility system be strengthened.

In this connection, I would bring to the subcommittee's attention the Advisory Committee's December 1978 review of eligibility issues regarding reauthorization of the Higher Education Act of 1965.

We made a series of recommendations, including one that I should mention, that: "The eligibility system should be strengthened to effect a more balanced reliance upon accrediting agencies and State's legal authorizing agencies."

The committee unanimously rejected the idea of establishment of a Federal approval/accrediting mechanism.

Mr. FORD. Excuse me for interrupting you.

We have barely enough time to make this vote.

We will return.

[A brief recess was taken.]

Mr. FORD. The subcommittee will resume.

Ms. KNUDSON. Let me conclude then, Mr. Chairman, and just draw the attention of the members of the subcommittee to what I believe to be one of the most significant conclusions that was reached at what is really the only national invitational Conference on Institutional Eligibility, which today really examines those questions exhaustively.

The conferees attending that meeting concluded that: "Accreditation is an essential component in the eligibility system and must never be dropped unless it is replaced by a process at least as demanding in assessment of educational quality as is accreditation."

I don't see in the proposal submitted to you last Thursday such an alternative to accreditation. State licensure which establishes minimum conditions to operate is not an alternative for accreditation assessment of educational quality.

In fact, most States have to date demonstrated neither the capacity nor even the willingness to effect the kind of oversight of institutions of higher education that is called for in the Department's proposal.

On the other hand, the institutions of higher education of this Nation under the leadership of the American Council have clearly committed themselves to renewed efforts at self-regulation which in this case means utilization of and reliance on our well-established peer review accreditation processes.

There is probably not time to comment on many other potential fallouts from the Department's proposal, such as the physical implications, which seem to me to be very substantial.

The grave danger to the entire accreditation system from this proposal and the enormous potential for a more intrusive State and Federal presence into the higher education system of our country which would, in my opinion, quite clearly move us in the direction of the monolithic ministry of education models.

In conclusion, it is my belief that the Department's proposal under discussion which would supplant the current usage would in these and other ways drastically alter the power structure and indeed the very character of the American system of higher education.

I would urge you to consider fully the multiple implications of this drastic step before proceeding.

This concludes my remarks, and I appreciate the opportunity to be here and will be more than pleased, when possible, to answer your questions.

Thank you.

[The information follows:]

Testimony presented to the Subcommittee
July 25, 1979
Subcommittee on Postsecondary Education
Committee on Education and Labor
House of Representatives
Congress of the United States

Mr. Chairman, members of the Subcommittee:

I am Barbara N. Knudson, Professor of Continuing Education and Criminal Justice Studies at the University of Minnesota. I have served for this past year as chairperson of the Commissioner of Education's Advisory Committee on Accreditation and Institutional Eligibility. The Committee is chartered by the Secretary of HEW to "review and advise the Commissioner of Education in the formation of all current and future policy relating to the matter of institutional eligibility." This is only one, among the many important functions which the Advisory Committee performs.

I appreciate the invitation to talk with you this morning about the Department's proposal "to sever completely the link between private accreditation and institutional eligibility for Higher Education Act programs." This proposal, Mr. Chairman, is in my opinion not desirable and I recommend to the members of this subcommittee that you carefully study it before you take any form of action.

Let me be brief in view of your time constraints. To do this and still cover the subject, I have brought with me several documents from my files which will give you a more comprehensive picture of the Federal eligibility system, which I would like to enter into the record.

The Office of Education's system for determining institutional eligibility derives from at least 26 specific statutory authorizations issued over the past 27 years, dating back to the post World War II era. From these a system using three complementary bases on which eligibility determinations depend has emerged. The three elements of eligibility are:

a) State licensure and/or approval;
b) Accreditation by a nationally recognized agency or association and;
c) Federal statutory and regulatory program requirements.

I personally support this system because it allows for a partnership among these three important societal forces: the private sector, the States, and the Federal Government. Each has an integral role to play. The States attest to "minimum conditions to operate"; accrediting agencies are concerned with "minimum standards of educational quality"; and Federal program managers provide program or post-audit reviews of institutions participating in Federal programs. It is important to note that this historical commitment of support by the Congress of the Office of Education to the role of private accreditation in the eligibility process has to date precluded the development of Federal or State plans to control, supplant or compete with the recognized accrediting agencies and thus effectively control higher education in this nation. This support of nongovernmental, voluntary accrediting associations may well be the most significant benefit of all flowing from the current eligibility system. Neither the States or the Federal Government, or the accrediting community should singly exercise the eligibility function. It is and should remain a collective, coordinated endeavor in which the public is the main beneficiary.

The Department's proposal, however, would sever this important linkage to self-regulation on the part of higher education. The proposal would remove accreditation as the "quality control" mechanism in determining institutional or program eligibility. In its place, a Federal-State mechanism would be inserted. While accreditation today serves as an effective countervailing element to State and Federal action in the eligibility process, tomorrow may well see the shape and condition of American higher educational change--in which direction is difficult to assess, and somewhat frightening. I believe that the proposed Federal State system of eligibility invites a kind of rigidity which will make any past practices moving this nation toward standarization of education look like child's play.

I am not alone, Mr. Chairman, in my thinking about this. Indeed, what I find astonishing about the Department's proposal is that it runs counter to most, if not all, of the major research on the eligibility process. Support for the present "triad" of state licensing, private accreditation, and federal eligibility regulation is found in all recent studies of the eligibility process, for example:

- --the 1974 Brookings study on Private Accreditation and Public Eligibility, and the findings, that year, of the House Government Operations Subcommittee;
- --the 1975 study by the Federal Interagency Committee on Education on a Federal Strategy For Protection Of The Consumer Of Education, and the ERIC/Higher Education Research Report on Accreditation and Institutional Eligibility;
- --the 1976 study by the American Institutes for Research on Improving The Consumer Protection Function in Postsecondary Education and the Institutes' 1978 study on State Oversight in Postsecondary Education and;
- --This year, the General Accounting Office study on Institutional Eligibility and the Carnegie Council report entitled, Fair Practices In Higher Education.

None of these studies calls for the present eligibility system's dissolution or for the removal of the accreditation component. While acknowledging some needs for improvement, the system is perceived as having effective "checks and balances." and as serving the country well. There is another important perspective on the subject. Since 1968, every Commissioner's Advisory Committee on Accreditation and Institutional Eligibility has reviewed policy issues concerned with the eligibility process and has endorsed continued reliance on the triad arrangement. Each review has also been accompanied by a recommendation to strengthen the Office's review of accrediting bodies. In addition, the Committee has urged that the State licensing role in the eligibility system be strengthened. In this connection, I would bring to the Subcommittee's attention the Advisory Committee's December 1978 review of eligibility issues regarding reauthorization of the Higher Education Act of 1965. The Committee made five recommendations, including the recommendation that "the eligibility system should be strengthened to effect a more balanced reliance upon accrediting agencies and State legal authorizing agencies." The Committee rejected the idea of establishment of a Federal approval/accrediting mechanism.

In summary, Mr. Chairman, I would draw the attention of the members of this Subcommittee to what I believe to have been one of the most significant conclusions reached at a 1975 National Invitational Conference on Institutional Eligibility--the only conference to date that has comprehensively examined the Federal eligibility process. The conferees attending this meeting concluded:

> "Accreditation is an essential component in the eligibility system and must never be dropped unless it is replaced by a process at least as demanding in its assessment of educational quality as is accreditation."

I do not see in the proposal submitted to you last Thursday such an alternative to accreditation. In fact, most states have to date demonstrated neither the capability nor the willingness to effect the kind of oversight of institutions of higher education that is called for in the Department's proposal. On the other hand, the institutions of higher education of this nation, under the leadership of the American Council on Education, have clearly committed themselves to renewed efforts at self regulation, which in this case means utilization of and reliance on our well established peer review accreditation processes.

There is not time enough to comment on many other potential "fall-outs" from this proposal such as the fiscal implications which seem to be very substantial, the grave danger to the entire accreditation system, the enormous potential for a far more intrusive state and federal presence in the higher education system of our country (moving us clearly in the direction of the monolithic ministry of education model), and the continual addition of duplicative monitoring functions throughout the government.

In conclusion, it is my belief that the Department proposal under discussion, supplanting current usage, would in these and other ways, drastically alter the power structure and the very character of American higher education. I urge you to consider fully the multiple implications of this major change in the relationship between higher education and government before proceeding.

I appreciate the committee's invitation to make a statement, and will be more than pleased to answer any questions.

Colleges, suggested a 35 percent set-aside. Alvin Rivera, spokesman for the Hispanic Higher Education Coalition, urged a 40 percent set-aside, and also incentives in the challenge grant proposal to encourage institutions to attract Hispanic students to graduate and professional programs.

On institutional eligibility, the Administration proposes to eliminate accreditation as a statutory requirement for threshold eligibility to participate, put greater reliance on state licensing procedures, establish standards of administrative and fiscal responsibility and make existing student information requirements prerequisites for eligibility for student-aid funds.

Michael O'Keefe, Deputy Assistant HEW Secretary for Education Planning, said that reliance on private accreditation for federal eligibility purposes "does not ensure wise investment of federal dollars." He said it encourages needless proliferation of accreditation agencies, creates needless paperwork for institutions and the government, and misleads students and parents into believing that the federal government "vouches for the quality" of an institution receiving federal funds.

Kenneth Young, president of the Council on Postsecondary Accreditation, and Barbara Knutsen, chairman of the Accreditation Advisory Council, objected to eliminating accreditation as a factor in determining eligibility. Young said it was important to know that institutions receiving federal funds "have gone through a process involving a thorough, supervised self-study and peer review, in addition to any other eligibility considerations."

Charles B. Saunders, Jr., ACE vice-president for governmental relations, objected to a provision in the proposed institutional responsibility standards requiring a tuition refund policy "that the Secretary determines to be fair and equitable." Saunders said Congress has recognized that tuition refund policies are an institutional—not a federal—responsibility, and the higher education community has developed guidelines for meeting this responsibility. "To give the Secretary final judgment in this matter, as the Administration proposes, would sabotage a notably successful effort by the community to regulate itself," he said.

Other highlights of the Administration's proposals, which have not been introduced in the form of a bill as yet, include an overhaul of the student-loan system, which would establish a two-tier loan program. First would be a basic loan program limited to student need, and requiring a student self-help contribution of $700 toward the cost of his education. The loans would be subsidized by the government while a student is in school and carry an interest rate thereafter of seven percent or the Treasury bill rate minus one percent, whichever is less. The second tier would consist of a supplemental loan program to spread educational costs, and cover needs not met by other sources. These would require a $700 self-help contribution and carry an interest rate equal to the Treasury bill rate plus one percent which would not be "forgiven" while the student is in school. Instead, the amount of the loan would be increased at the outset to cover in-

Overview of Self-Study Project

Charles W. Dayton
American Institutes for Research
Palo Alto, California

Nine postsecondary degree-granting institutions were selected in three accreditation regions (New England, North Central, and Western) as field test sites utilizing the ISSF. These schools ranged from two-year public community colleges, to four-year public and private colleges, to major graduate universities, both public and private. Each institution distributed copies of the ISSF to various institution representatives, whose responses were then collapsed into one "official" version and submitted with the institution's self-study to the participating accreditation agencies. Accreditation agency evaluation teams then reviewed the information presented during their site visits. Finally, both institution and evaluation team representatives at the nine sites were interviewed following the team visits, to gather reactions to the form and its use as a part of the accreditation process.

All but one of the selected schools completed the ISSF as requested. Scores achieved were comparable to an earlier field test in which forms were externally administered and scored. Most institution representatives interviewed following the evaluation team visits felt their awareness of student consumer protection issues had been increased, and recommended use of the ISSF more generally in the reaccreditation process. Evaluation team members divided fairly evenly on the first point, some felt awareness of the issues in question had been increased, others felt it had not. Most evaluation team members felt the form would be a useful addition to the accreditation process generally, but many voiced qualifications and recommendations in this regard. Thus, in general, the institution representatives involved in the field test reacted more positively to the form than did accreditation evaluation teams. Many positive and negative comments on the form, and recommendations for future use, were voiced by both groups; these are detailed in the full final report which is available from: Postsecondary Programs Division, Office of Planning, Budgeting and Evaluation; U.S. Office of Education, Washington, D.C. 20202.

CONCLUSIONS/RECOMMENDATIONS

Basic Utility

The ISSF can be a valuable addition to the accreditation process, focusing attention of institutional staff and site visit teams on an important area that too often tends to be taken for granted in regional accreditation. A small percentage of institutional staff and accreditation site visitors questioned the orientation of the form as presuming guilt where there may have been none; however, most accepted the fact that no institution is perfect, no matter how good its intentions, and there is always room for improvement.

Development of Alternative Forms

Some field test participants recommended various alterations in the basic ISSF, including: (a) a separate form for "non-traditional" programs; (b) a separate form to collect perceptions of students and faculty; and (c) a brief version for use as a screening device or auditing tool. AIR recommends against the first; the voiced concerns about non-traditional programs seem to be with problems of educational quality, not student consumer protection per se, and the ISSF is not designed to deal with this wider topic. The second variation would be desirable, but is probably of low priority to accreditation agencies or USOE. For those interested in this approach, the AIR Enrolled Student Questionnaire is available for investigation. AIR staff have carried out some preliminary investigations of the third alternative and highly recommend that USOE or interested accreditation agencies pursue it.

Application in Different Circumstances

Some field test participants felt that the ISSF was more applicable to proprietary and vocational-technical institutions than to four-year degree-granting institutions. While there is merit to this observation, field test results show *some* abuse potential at every school visited, suggesting the ISSF is appropriate for application at *any* type of institution. AIR does recommend that USOE pursue use of the form with specialized accreditation agencies that focus on proprietary schools.

Technical Additions to the System

The User Guide developed for the field test could benefit from more extensive normative data, indicating more fully what a score of a given magnitude means. USOE and any accreditation agencies considering wider use of the ISSF should work to add such data. In addition, the Guide could benefit from: (a) a fuller explanation of the various topics and the interest behind each; (b) a fuller explanation of the item weighting and scoring system; and (c) a fuller statement of the positive conditions which represent the ideal toward which all institutions should work.

Dissemination

This should be pursued vigorously. USOE should make copies of the ISSF and its User Guide available to all interested agencies, through a variety of publications. Also, copies of the final report should be made available to state and federal government policy makers that exercise recognition responsibilities for accreditation agencies. Finally, accreditation agencies should take the initiative to disseminate the ISSF to member institutions and make student consumer protection an integral part of the accreditation process.

Reliance Upon Recognized Accreditation Status
By The Federal Government

The Eligibility System

There are at least 60 major funding programs for postsecondary education, administered by eight Federal agencies, which specify accreditation as a provision of institutional eligibility. In many instances, accreditation is a status called for in Federal regulations or agency administrative practices.

Four major services provided by DEAE are utilized by Federal program officials in shaping their institutional eligibility determinations.

First, there is the variety of direct determinations rendered by DEAE regarding the particular status of individual institutions. This constitutes a heavy volume of work and takes the form of formal eligibility certifications, letters and memoranda of ruling or advice, judgments regarding inclusion on lists, and response to inquiries by phone. A high proportion of the latter three activities is conducted in relation to other Federal agencies.

Second, is the recent development by DEAE of a comprehensive computerized institutional eligibility data system. While still in its developmental phase, the system now is producing periodic institutional lists on a limited basis which are utilized by HEW program managers in Washington and the regional offices. Later this year, when all of the projected institutional characteristics are programmed into the system, various versions of the list will be provided to other Federal agencies for their use.

Third, and perhaps the most widely used eligibility instrument employed within the Federal Government, is the Education Directory, Colleges and Universities. This directory lists approximately 3,100 postsecondary institutions which have been determined by DEAE to comply with the directory's criteria for listing. Accreditation or pre-accreditation by a USOE - recognized accrediting agency is the primary criterion for listing in this directory, and 97% of the institutions included in the current edition are listed on the basis of their status with recognized accrediting agencies. It should be noted, furthermore, that this directory includes both institutional and programmatic accreditation status held by each listed institution. Because of its long-established reliability and selectivity, this directory is widely used within the Federal government and the State governments, by corporations and foundations, and by foreign governments.

Two companion directories have been developed to supplement the older Colleges and Universities directory. These are the Directory of Postsecondary Schools with Occupational Programs and the Directory of Accredited Postsecondary Educational Institutions and Programs. Together, these three directories form the core of a loosely-knit Federal institutional eligibility system.

Fourth, and the second most widely used instrument produced by DEAE, is the list of nationally recognized accrediting agencies recognized by the U.S. Commissioner of Education. Almost as widely referred to as the Colleges and Universities directory, the Commissioner's list of recognized accrediting agencies constitutes the backbone of the Federal eligibility system because all of the instruments mentioned under the three categories above are substantially shaped by the Commissioner's list of accrediting agencies, as well as being directly utilized by both Federal and non-Federal sources.

Other Uses of the Commissioner's List

Aside from the legislative support for the Commissioner's list as presently constructed, its existence over the past 25 years has generated other significant third party uses.

In addition to reliance upon the accrediting agencies listed by the Commissioner with reference to statutory eligibility requirements, many agencies of the Federal government, by custom or regulation, use the Commissioner's list for a wide variety of purposes. One of the many Federal users of the Commissioner's list is the Civil Service Commission. Candidates for certain Civil Service examinations must be graduates of accredited institutions and/or programs in order to sit for certain examinations. The Commission often needs historical information of the accreditation status of institutions for its credential evaluation work. For example, the American Society of Landscape Architects (ASLA), in its 1971 petition for initial recognition, indicated that non-recognition of ASLA by USOE had been a significant handicap to landscape architects employed by the Civil Service Commission, inasmuch as the Commission utilizes USOE publications concerning recognized accrediting agencies to determine those organizations and agencies which are recognized as official accrediting bodies. The report stated that "since ASLA is not listed in those documents, all departments of landscape architecture are now recognized by the Commission as equal."

The qualification standards for hospital administration residencies in Veterans Administration hospitals requires of applicants that their "program of study in hospital administration must be approved by the Accrediting Commission on Graduate Education in Hospital Administration [now the Accrediting Commission on Education for Health Services Administration] which has been accorded formal recognition by the National Commission on Accrediting and the U.S. Office of Education."

The U.S. military services also rely upon the Commissioner's list of nationally recognized accrediting agencies. The Army, Navy, Marine Corps, and Coast Guard consult with the U.S. Office of Education to determine the accredited status of institutions for early release programs, for determining the eligibility of personnel for educational benefits, and for granting other benefits to military personnel and their dependents. Nursing education programs affiliated with Air Force hospitals must be accredited by an agency listed by the U.S. Commissioner of Education. Potential military chaplains must have earned degrees from institutions accredited by nationally recognized accrediting agencies and associations. The Army Nurse Corps supports educational programs accredited by nationally recognized accrediting associations.

Under Social Security Administration's program of paying survivors benefits, students attending schools accredited by agencies recognized by the Commissioner of Education are eligible for such benefits.

A number of statutes cover factual situations where a specialized agency, as well as a regional agency, is involved in the determination of eligibility, although this result is inferred rather than explicitly stated in the statute. For example, nowhere in the Public Health Service Act is there mention of specialized accrediting agencies, yet the eligibility provisions of the law have been administered by the USPHS in such a way as to place great reliance upon the USOE recognized health education accrediting agencies.

At the time of its first review by the Advisory Committee on Accreditation and Institutional Eligibility, conducted in 1972, the American Library Association reported that the bulk of fellowship grants to institutions for education in librarianship under Title II-B of the Higher Education Act of 1965 went to institutions offering ALA-accredited programs. Furthermore, the Association indicated that State library agencies, in providing scholarships through the Library Services and Construction Act, Title I, often stipulated attendance at a school with an ALA-accredited program.

Reliance upon the Commissioner's list of nationally recognized accrediting agencies is evident at the State Level. For example, when the Foundation for Interior Design Education Research (FIDER), now a USOE-recognized accrediting agency, was reviewed for initial recognition in 1976, it indicated that the State college system in California would not permit FIDER to review interior design programs offered within the system until it received USOE recognition. The American Physical Therapy Association, during its 1977 review for initial recognition, indicated that some States were revising their licensure laws for physical therapists to require that therapists had to be graduates of programs accredited by an agency recognized by the U.S. Office of Education or by the Council on Postsecondary Accreditation.

-4-

Many foreign governments have come to rely upon the meaning of accreditation by a USOE-recognized accrediting agency regarding acceptance of their students who have studied in the United States. For more than 90 years, the Office of Education has assumed responsibility for certifying to the reliability of academic credentials earned in the United States for foreign nationals returning to their own countries or by United States citizens going abroad for work or study. The practice was established by the U.S. Commissioner of Education in response to a request by embassy officials that the Federal Office of Education supply some assurance that the degree or other credential and the institution having issued it were trustworthy. The function was formalized early in the present century through an agreement between the Secretary of State and the Secretary of the Interior. As a further indicator of the quality of the academic degree or credential, it has become customary for the certifying office to note whether or not the institution and/or program from which the individual has graduated is accredited by an accrediting agency or association recognized by the U.S. Commissioner of Education. Some foreign governments insist upon program accreditation citations relative to American academic degrees.

March 20, 1979
Division of Eligibility and Agency Evaluation
Bureau of Higher and Continuing Education
U.S. Office of Education

Mr. FORD. Thank you.

Mr. MacKinnon?

STATEMENT OF AL MacKINNON, NEW YORK STATE DEPARTMENT OF EDUCATION

Mr. MACKINNON. Thank you, Mr. Chairman.

I am P. Alistair MacKinnon, coordinator for Federal legislation education in the New York State Education Department.

I am pleased to testify before you today about the importance of coordinating Federal and State institutional and program monitoring efforts for the future of higher education in the United States.

The impending reauthorization of the Higher Education Act provides a timely opportunity to reexamine and redesign Federal legislation in a manner that will recognize the roles, responsibilities, and efforts of the States in monitoring, coordinating, and financing postsecondary education.

In our view, the statutory revisions which are now under consideration should be designed to reflect sensitively two basic principles:

The first principle is that the governance and funding of postsecondary education are primarily the responsibility of the States and the major portion of funding is from State and local resources.

The second is that, although Federal law may establish public policy objectives which address national problems, the States should be authorized, within guidelines, to establish appropriate structures and procedures to monitor the carrying out of these objectives in the context of their own unique and diverse circumstances and organizational patterns.

The need for a closer Federal-State partnership in monitoring their programs, the quality of postsecondary institutions, the adequacy of institutional practices and procedures, and institutional eligiblity for participation in various Federal programs is one that has grown rapidly in the past few years.

Such a partnership is essential to assure that all institutions participating in Federal programs meet Federal eligibility standards and operate programs in accordance with public policy.

It is increasingly important that any system of establishing eligibility take cognizance of the consumer-related actions, probity, and ethical behavior of the institutions being monitored.

The New York State Board of Regents in 1976, and again this year, has stated that they believe an alternative determination process should be considered.

That alternative would make available stronger assurances about institutional and program quality and integrity in determining eligibility to enable students in both traditional and legitimate nontraditional programs to participate in Federal programs.

The alternative system would reduce pressures for "mandatory" accreditation by voluntary agencies and create a better determination mechanism than the present option of transfer credits.

We recommend that an appropriate State agency be designated in each State as a federally recognized approving agency to approve postsecondary educational institutions and their programs and eligible vocational institutions or the programs of such institutions.

Decisions of the agency would be relied upon by Federal officers and agencies in connection with participation in any program of Federal assistance to postsecondary or vocational educational institutions or their students.

Each State would designate an existing State educational agency or commission, such as a 1202 commission, to be the federally recognized approving agency for this purpose in the State.

The U.S. Commissioner of Education would promulgate criteria for recognition as a reliable authority as to the quality of education or training offered and as to the integrity of the institution and its programs.

In addition, the U.S. Commissioner should be authorized to make grants to any designated State educational agency or commission which is recognized or provisionally recognized, to assist it in carrying out its duties.

If phased in, such a system would cover 90 percent of all students when it operated in only 30 States or 80 percent if it were in operation in only 22 States. Indeed, if only seven selected States in addition to New York had such a system for determining eligibility, it would apply to 51 percent of all the higher education students in the Nation.

The administration has put forth a proposal, which can best be described as a bold one suggesting new directions.

We agree in principle with the direction, but I think we would have some concerns about some of the details.

More State role and accountability is desirable, but the licensing and chartering functions have their limitations. I think States should have more, as far as a monitoring role is concerned.

The Federal Government has retained unto Caesar more than I believe it should. On page 41 of the legislative proposal, it speaks to making institutions more accountable to the Federal Government.

I see a danger in this, in seeing large number of Federal auditors running around the country poking into institutions, which is a responsibility and I believe a right of State agencies.

The Federal Government should define the general criteria and leave to the States the defining of the specific criteria.

One point that I would like to make at this time is the difference between institutional eligibility and the programs of an institution.

While we may be looking at institutions and in the main, that they are fine. There are programs within institutions that should be looked at to be sure that they are of assistance to students.

I would use the term "monitor" rather than accredit, accrediting or evaluating. I believe that monitoring talks about review and help to the institutions.

There will need to be a phase-in period for the new system being proposed, and I think the phase, if targeted on certain States, could be accomplished.

The majority of the States have had experience in approving educational programs. I am thinking specifically here of the VA, for Federal purposes. With some modification, redefining and upgrading can accomplish the task ahead.

I do know that the administration's proposal moves in the direction that has been suggested over the years by some of the accrediting associations, but I think it also draws to our attention that accreditation need not be a private function.

In other words, at the present time the accreditation is carried out by private agencies supported by BEOG grants and other Federal and State assistance, but there also can be the concept of taking a look at public accreditation at public expense without adding it on to the student fees or tuition.

Thank you, Mr. Chairman.

Mr. FORD. Mr. O'Keefe?

STATEMENT OF MICHAEL O'KEEFE, DEPUTY ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. O'Keefe. Thank you, Mr. Chairman, Mr. Buchanan.

I had intended to reflect on what a delight it is to continue my myriad of appearances before this committee.

Given that you called on me last, I have to modify that somewhat. It is still a delight to appear here, because these are highly important issues.

This is also my first appearance in which I do not have to answer the question: When will the administration have its bill up?

It's a delight to be here without that question in front of me.

The second reason, of course, is that you have assembled a panel of sharp and careful observers of what the administration has proposed, and they have raised some serious issues which I will try to address.

If it would meet the approval of the chairman, I would like to insert my formal testimony in the record at this point.

Mr. FORD. Without objection, it will be inserted at this point in the record.

You may add to it and respond to the points that have been raised.

[Mr. O'Keefe's statement follows:]

TESTIMONY OF
MICHAEL O'KEEFE
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. Chairman and Members of the House Subcommittee on Postsecondary Education:

I have been asked to appear before you today to describe the Administration's proposal related to accreditation and the rationale for our proposal.

SUMMARY OF THE PROPOSAL

The Administration proposal related to accreditation affects institutions applying for all Higher Education Act programs, not just the Title IV programs.

The Administration proposes to sever completely the link between private accreditation and institutional eligibility for Higher Education Act programs. The proposal would:

- Eliminate accreditation as a statutory requirement for threshold institutional eligibility for Higher Education Act programs.
- Maintain and place greater reliance on the existing statutory requirement that an institution must be legally authorized by the state in which it operates.
- Continue to monitor and enforce institutional compliance with the specific eligibility requirements imposed by each of the Higher Education Act programs.

- Continue administrative actions to enforce, at the program level, requirements for responsible institutional management of Federal funds.

- Strengthen student information requirements so that students and parents can make more informed decisions about where to spend their education dollars.

PRESENT LAW

Accreditation is one of several requirements that a postsecondary institution must meet to establish threshold eligibility for Higher Education Act programs. (Beyond this threshold eligibility, an institution must also meet the specific eligibility requirements of individual programs.) For the purposes of this threshold eligibility process, the Higher Education Act requires the Commissioner to "publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered." Over the years, the Office of Education has developed elaborate regulations and review procedures to determine which accrediting agencies are suitable for inclusion on the Commissioner's list. These regulations and procedures not only burden the accrediting agencies, but also indirectly affect institutions reviewed by accrediting agencies.

PROBLEMS WITH THE EXISTING SYSTEM

After careful study, the Administration has come to the firm conclusion that reliance on private accreditation for Federal eligibility purposes does not ensure wise investment of Federal dollars.

- First, because HEW does not want to render Federal judgements about what is quality and what isn't, we monitor primarily accrediting agency characteristics that are peripheral to the assessment of quality (e.g., financial and administrative arrangements in the accrediting agencies, public disclosure of information, etc.). This is of no real benefit to students and taxpayers.

- Second, the primary role of most accrediting agencies is to help an institution or program assess the degree to which it meets its own stated goals. Assessing the degree to which the institution or program meets an externally imposed standard of quality is a secondary concern. The accrediting agency accomplishes its mission by helping an institution undertake and complete a self-study, which the accrediting agency then reviews -- offering comments about how the institution can improve its performance. Some accrediting agencies conduct a site review of an institution as infrequently as once in ten years.

The accrediting process is in many ways analogous to a personnel evaluation that is used to help an employee identify his or her strengths and weaknesses, but which cannot effectively be used to decide whether that person continues to receive a salary or what that salary should be. Although accrediting agencies render invaluable service to the postsecondary education community, these agencies are not the appropriate mechanisms for determining which institutions should receive Federal funds.

Instead of ensuring wise investment of Federal dollars, our current system:

- Encourages needless proliferation of accreditation agencies. The Commissioner's first list of accrediting agencies, issued in 1952, included 28 accrediting agencies. The list now includes over 70 agencies. Many of these are program-specific accrediting agencies which are superfluous to the Federal eligibility process: the programs they accredit are already eligible by virtue of their location in an accredited institution.

- Creates needless paperwork for institutions, accrediting agencies, and the Federal government.

- Most importantly -- misleads students and their parents into believing that the Federal government vouches for the quality of any educational institution or program that receives funds under the Higher Education Act.

HOW THE ADMINISTRATION PROPOSAL ADDRESSES THESE PROBLEMS

The Administration proposal addresses the problems I have outlined in six important ways.

- First, the proposal frees accreditating agencies to do their job. The Administration proposal does not constitute a statement of dissatisfaction with private accreditation. On the contrary, the proposal reflects our concern about inappropriate use of accrediting agencies by the Federal government. These agencies provided valuable service to the postsecondary education community long before the Federal government became involved in their activities; we expect that they will continue to do so when their tie to the Federal government is severed. In fact, we believe that our proposal will enhance the vitality of most private accrediting agencies by freeing them from intrusive Federal regulation and pressures to take on inappropriate activities that are unrelated to their central mission of assessing the quality of education. We are confident that the strong sense of integrity and professional responsibility in the postsecondary education community will ensure sound accreditation practices without Federal regulation.

- Second, the proposal will prompt citizens to pressure the states to take greater responsibility for the quality of education offered by institutions within their borders. Our proposal establishes an element of government to government accountability. This is in contrast to the current system, which tries to make private accrediting agencies accountable for achieving public aims. States will no longer be able to say that ensuring minimum standards of quality is someone else's job. Indeed, most states have already been improvinng their institutional licensing procedures in response to mandates from state legislatures and citizens concerned with budget accountability and consumer protection. Our proposal will simply strengthen this impetus. We will encourage the states to work with accrediting agencies -- not take on the accrediting responsibility themselves.

- Third, the proposal gives the Federal government -- not private entities -- responsibility for monitoring institutional management of Federal dollars. Beyond threshold eligibility to apply to Higher Education Act Programs, institutiions must meet the specific eligibility requirements for each program. We will continue and enhance administrative actions to enforce, at the program level, requirement for responsible institutional management of Federal funds.

- Fourth, the proposal does not mislead students and parents. The proposal gives students and parents the ultimate responsibility for the quality of the education they purchase, but informs them about how to exercise that responsibility intelligently. Our proposal to make the provision of student information a requirement for institutional eligibility for Federal student financial aid programs is one step we've already taken to help education consumers.

- Fifth, the proposal saves money. The proposal would free for alternative and more productive uses the roughly half a million dollars currently being spent by the Federal government to monitor accrediting agencies.

- Finally, the proposal cuts down on bureaucracy and paperwork for the Federal government, accrediting agencies, and institutions.

OTHER FEDERAL PROGRAMS

The Commissioner's responsibility for listing accrediting agencies extends beyond programs administered by him or even under the purview of this Committee. Specifically, various health legislation -- including the Public Health Service Act and the Health Profession Education Act -- as well as Veterans Administration legislation had reference to the list of accrediting agencies approved by the Commissioner.

The Administration is not at this time proposing the removal of those provisions. Our recommendation is limited to the education programs up for reauthorization. However, to conform with our proposal, we also recommend that the other relevant statutes be amended to shift the responsibility for certifying accrediting agencies from the Commissioner to the Assistant Secretary for Health or the Administrator of the Veterans Administration, as appropriate. In these other areas, other factors may apply and we do not wish to make recommendations for major change at this time.

Mr. O'KEEFE. Our intention in making these proposals has been several-fold.

First of all, we would like to recognize more fully and realistically the current role of the private accrediting agencies, of the institutions themselves, of the States and of the Federal Government in the accrediting process.

Second, we have reviewed the many studies and the various reports of conferences, to which previous speakers have referred, and we have taken a hard look at what the accreditation provisions actually accomplish for the Federal Government and at what cost.

Mr. Fulton asked, "Will the eligibility system be any better?"

I respectfully submit that that may be the wrong question.

The proper question should be: "Will the eligibility system be any worse, or will it deteriorate as a result of removing the current Federal involvement in the accreditation process?"

From the comments made by several of the panelists, it could be inferred that the executive branch wants to eliminate accreditation; that is to say that we propose to demolish the accrediting system that now exists.

We are in no way proposing to do that. We are moving in another direction: To free up the accrediting system so that it can function as a private enterprise basing its judgments peer review within the higher education system as higher education has traditionally done over the years.

Our concern is with the burden that the responsibility for certifying accrediting agencies places upon the Federal Government and for the relatively small benefits that it gives the Federal Government.

We perceive that this allows no form of genuine quality control. However, it suggests that there is a quality control mechanism in place and gives that impression to parents, students and to others. They may conclude that because an institution receives Federal aid it has been judged by the Federal Government to be sound and to offer a quality education.

The process that is currently in place, does not do that. Rather, it goes into excruciating detail on issues of concern to the accrediting organizations that frankly do not relate in our judgment to the quality of education that is provided by the institutions which the accrediting organizations accredit.

I have brought with me several voluminous sets of detailed materials developed by our staff in reviewing organization that has applied to us for eligibility as an accrediting agency.

This was the application received from the American Association of Marriage Counselors.

Now, please do not misinterpret my remarks. I have nothing against either the Association or the profession of marriage and family counseling. However, I use this as an illustration, because it seems to me that the kind of detail which we have gone into in reviewing this particular agency for accreditation is far beyond that with which the Federal Government needs to concern itself.

In particular, I would like to put in the record at this point a list of the criteria that have been established in regulations. Some 90 percent of these criteria address organizational or process issues associated with accreditation. Included are such questions as:

Does the agency have fiscal or organizational viability?

What is the fee structure of the agency and what are the qualifications of the personnel who run the organization?

What is its scope, and what procedures are followed in the accreditation process?

The checklist of criteria that are used by the office in reviewing these organizations is predominantly associated with process. It is not related to quality of the review that that organization undertakes, and it certainly, even in a second- or third- or fourth-hand way, has very little impact on the quality of the programs that are offered in postsecondary institutions.

For example, on this particular review, the issues that were raised by the review committee and the staff were two-fold:

First, is marriage and family counselor training a discipline in its own right or, because it is interdisciplinary, is it in fact no more than an amalgam of other established disciplines?

Second, if marriage and family counselor training is a discipline in its own right, is there a need for a separate accrediting agency in this field? And can society be adequately protected by means of the Association's certification process?

The actual report runs to many many pages. On the first issue of serious concern—Is marriage and family counseling a definable discipline or a definable field?—the analysis runs for some five or six pages, and basically comes down to a debate among a number of other professional organizations, some of which maintain that it is part of their discipline and some of which maintain that it is its own discipline.

In particular, the American Psychological Association, the Council on Social Work Education, and the Association for Clinical Pastoral Education, Inc., all maintain that marriage and family counseling is a part of their discipline area and, therefore, should not be established as a new discipline area.

On the other hand, the American Association of Family Counselors claims that while it accepts persons with varied training into its membership, it does represent a definable and discrete field of practice. Further, there are a growing number of colleges and universities that offer a definable program in marriage and family counseling.

My point in presenting this detail—and there is more which I will spare the chairman and members of the committee—is that it seems to us that it is not appropriate for the Commissioner of Education or the Federal Government to be addressing the question of whether marriage and family counseling is or is not an acceptable discipline. That that is a matter for the professions to determine themselves, and a matter for the higher education establishment to deal with.

The problem with the way in which we now interpret our responsibility is that we are involved in just these kinds of judgments.

There are some 70 different accrediting committees which the Commissioner now has on the approval list. Each of these has gone through the same kind of soul-searching debate as to whether or not it ought to be listed as capable of performing the accreditation function.

Our argument on the accreditation issue is not, I must repeat, that accreditation is not an essential element in the quality control of postsecondary education. It clearly is.

What we are suggesting is that the Commissioner, through a large staff and a substantial amount of funds each year should not be making these kinds of detailed judgments.

If you review the criteria that are currently in the regulations you will see that they touch on such things as equal employment opportunities, on the ethical practices of the institutions, and on whether the agency monitors the ethical practices of those institutions.

Those are very difficult to defend as responsibilities of the Commissioner of Education. The Office of Civil Rights is charged with the enforcement of certain civil rights laws. Further, it seems to me that the responsibility for defining ethical standards for institutions of postsecondary education should remain quite distant from the Federal Government.

Perhaps I can come back to some of the other issues that have been raised, but I have addressed the question of the accreditation issue. It has very limited applicability and puts us in the posture of getting into detailed and bureaucratic concerns about institutions that should not be the business of the Commissioner of Education, and we recommend that we not be involved in that business.

Let me comment on several of other issues that Mr. Saunders raised in his statement.

First of all, I certainly do not presume to take the time to defend the entire Office of Education against the criticism of "regulatory minds and busy work" over the last 5 or 7 years.

On the question of fair and equitable refund policy, it is our position that voluntary fair and equitable refund policies have been helpful. We have worked with the higher education community to develop criteria which we are proposing be required. Voluntary criteria can be chosen or not chosen by the institutions, and it is the very institutions which do not choose to follow them which concern us because they are attracting large numbers of students with Federal assistance.

Second, as Charlie pointed out, there is a minor inconsistency between the testimony and the appendix on the question of drop-out rates.

Our proposal is not that we set drop-out rate standards, nor have the authority to do so, but rather that the Commissioner undertake a study to determine how serious the problem is.

Mr. Chairman, let me pause at that point.

I thank you very much.

Mr. **Ford**. Without objection, the criteria referred to by Mr. O'Keefe will be supplied for the record at the appropriate point with his remarks.

[The information follows:]

SUBPART A—CRITERIA FOR NATIONALLY RECOGNIZED ACCREDITING AGENCIES AND ASSOCIATIONS

Authority: (20 U.S.C. 403(b), 1085(b), 1141(a), 1248(11)); (42 U.S.C. 293a(b), 295f-3(b), 295h-4(1)(D), 298b(f)); (8 U.S.C. 1101(a)(15)(F)); (12 U.S.C. 1749c(b)); (38 U.S.C. 1775(a)).

Source: 39 FR 30042, Aug. 20, 1974, unless otherwise noted.

Section 149.1 Scope

Accreditation of institutions or programs of institutions by agencies or associations nationally recognized by the U.S. Commissioner of Education is a prerequisite to the eligibility for Federal financial assistance of institutions and of the students attending such institutions under a wide variety of federally supported programs. The recognition of such agencies is reflected in lists published by the Commissioner in the Federal Register. Inclusion on such list is dependent upon the Commissioner's finding that any such recognized agency or association is reliable authority as to the quality of training offered. The Commissioner's recognitions is granted and the agency or association is included on the list only when it meets the criteria established by the Commissioner and set forth §149.6 of this part.

Section 149.2 Definitions

"Accrediting" means the process whereby an agency or association grants public recognition to a school, institute, college, university, or specialized program of study which meets certain established qualifications and educational standards, as determined through initial and periodic evaluations. The essential purpose of the accreditation process is to provide a professional judgement as to the quality of the educational institution or program(s) offered, and to encourage continual improvement thereof;

"Adverse accrediting action" means denial of accreditation or preaccreditation status or the withdrawal of accreditation or preaccreditation status;

"Agency or association" means a corporation, association, or other legal entity or unit thereof which has the principal responsibility for carrying out the accrediting function;

"Institutional accreditation" applies to the total institution and signifies that the institution as a whole is achieving its educational objecties satisfactorily;

"Regional" means the conduct of institutional accreditation in three or more States;

"Representatives of the the public" means representatives who are laymen in the sense that they are not educators in, or members of, the profession for which the students are being prepared, nor in any way are directly related to the institutions or programs being evaluated;

"States" includes the District of Columbia and territories and possessions of the United States.

(20 U.S.C. 1141(a))

Section 149.3 Publication of list

Periodically the U.S. Commissioner of Education will publish a list in the Federal Register of the accrediting agencies and associations which he determines to be reliable authorities as to the quality of training offered by educational institutions or programs, either in a geographical area or in a specialized field. The general scope of the recognition granted to each of the listed accrediting bodies will also be listed.

(20 U.S.C. 1141(a))

Section 149.4 Inclusion on list

Any accrediting agency or association which desires to be listed by the Commissioner as meeting the criteria set forth in §149.6 should apply in writing to the Director, Accreditation and Institutional Eligibility Staff, Bureau of Postsecondary Education, Office of Education, Washington, D.C. 20202.

Section 149.5 Initial recognition, and renewal of recognition

(a) For initial recognition and for renewal of recognition, the acciditing agency or association will furnish information establishing its compliance with the criteria set forth in §149.6. This information may be supplemented by personal interviews or by review of the agency's facilities, records, personnel qualifications, and administrative management. Each agency listed will be reevaluated by the Commissioner at his discretion, but at least once every 4 years. No adverse decision will become final without affording opportunity for a hearing.

(b) In view of the criteria set forth in §149.6, it is unlikely that more than one association or agency will qualify for recognition (1) in a defined geographical area of jurisdiction or (2) in a defined field of program specialization within secondary or postsecondary education. If two or more separate organizations in a defined field do seek recognition, they will both be expected to demonstrate need for their activities and show that they collaborate closely so that their accrediting activities do not unduly disrupt the affected institution or program.

(20 U.S.C. 1141(a))

Section 149.6 Criteria

In requesting designation by the U.S. Commissioner of Education as a nationally recognized accrediting agency or association, an accrediting agency or association must show:

(a) *Functional aspects.* Its functional aspects will be demonstrated by:

(1) Its scope of operations:

(i) The agency or association is national or regional in its scope of operations.

(ii) The agency or association clearly defines in its charter, by-laws or accrediting standards the scope of its activities, including the geographical area and the types, and levels of institutions or programs covered.

(2) Its organization:

(i) The agency or association has the administrative personnel and procedures to carry out its operations in a timely and effective manner.

(ii) The agency or association defines its fiscal needs, manages its expenditures, and has adequate financial resources to carry out its operations, as shown by an externally audited financial statement.

(iii) The agency's or association's fees, if any, for the accreditation process do not exceed the reasonable cost of sustaining and improving the process.

(iv) The agency or association uses competent and knowledgeable persons, qualified by experience and training, and selects such persons in accordance with nondiscriminatory practices: (A) to participate on visiting evaluation teams; (B) to engage in consultative services for the evaluation and accreditation process; and (C) to serve on policy and decision-making bodies.

(v) The agency or association includes on each visiting evaluation team at least one person who is not a member of its policy or decision-making body or its administrative staff.

(3) Its procedures:

(i) The agency or association maintains clear definitions of each level of accreditation status and has clearly written procedures for granting, denying, reaffirming, revoking, and reinstating such accredited statuses.

(ii) The agency or association, if it has developed a preacreditation status, provides for the application of criteria and procedures that are related in an appropriate manner to those employed for accreditation.

(iii) The agency or association requires, as an integral part of its accrediting process, institutional or program self-analysis and an on-site review by a visiting team.

(A) The self-analysis shall be a qualitative assessment of the strengths and limitations of the institution or program, including the achievement of institutional or program objectives, and should involve a representative portion of the institution's administrative staff, teaching faculty, students, governing body, and other appropriate constituencies.

(B) The agency or association provides written and consultative guidance to the institution or program and to the visiting team.

(b) *Responsibility.* Its responsibility will be demonstrated by the way in which—

(1) Its accreditation in the field in which it operates serves clearly identified needs, as follows:

(i) The agency's or association's accreditation program takes into account the rights, responsibilities, and interests of students, the general public, the academic, professional, or occupational fields involved, and institutions.

(ii) The agency's or association's purposes and objectives are clearly defined in its charter, by-laws, or accrediting standards.

(2) It is responsive to the public interest, in that:

(i) The agency or association includes representatives of the public in its policy and decision-making bodies, or in an advisory or consultative capacity that assures attention by the policy and decision-making bodies.

(ii) The agency or association publishes or otherwise makes publicly available:

(A) The standards by which institutions or programs are evaluated;

(B) The procedures utilized in arriving at decisions regarding the accreditation status of an institution or program;

(C) The current accreditation status of institutions or programs and the date of the next currently scheduled review or reconsideration of accreditation;

(D) The names and affiliations of members of its policy and decision-making bodies, and the name(s) of its principal administrative personnel;

(E) A description of the ownership, control and type of legal organization of the agency or association.

(iii) The agency or association provides advance notice of proposed or revised standards to all persons, institutions, and organizations significantly affected by its accrediting process, and provides such persons, institutions and organizations adequate opportunity to comment on such standards prior to their adoption.

(iv) The agency or association has written procedures for the review of complaints pertaining to institutional or program quality, as these relate to the agency's standards, and demonstrates that such procedures are adequate to provide timely treatment of such complaints in a manner that is fair and equitable to the complainant and to the institution or program.

(3) It assures due process in its accrediting procedures, as demonstrated in part by:

(i) Affording initial evaluation of the institutions or programs only when the chief executive officer of the institution applies for accreditation of the institution or any of its programs;

(ii) Providing for adequate discussion during an on-site visit between the visiting team and the faculty, administrative staff, students, and other appropriate persons;

(iii) Furnishing, as a result of an evaluation visit, a written report to the institution or program commenting on areas of strengths, areas needing improvement and, when appropriate, suggesting means of improvement and including specific areas, if any, where the institution or program may not be in compliance with the agency's standards;

(iv) Providing the chief executive officer of the institution or program with an opportunity to comment upon the written report and to file supplemental materials pertinent to the facts and conclusions in the written report of the visiting team before the accrediting agency or association takes action on the report;

(v) Evaluating, when appropriate, the report of the visiting team in the presence of a member of the team, preferably the chairman;

(vi) Providing for the withdrawal of accreditation only for cause, after review, or when the institution or program does not permit reevaluation, after due notice;

(vii) Providing the chief executive officer of the institution with a specific statement of reasons for any adverse accrediting action, and notice of the right to appeal such action;

(viii) Establishing and implementing published rules of procedure regarding appeals which will provide for:

(A) No change in the accreditation status of the institution or program pending disposition of an appeal;

(B) Right to a hearing before the appeal body;

(C) Supplying the chief executive officer of the institution with a written decision of the appeal body, including a statement of specifics.

(4) It has demonstrated capability and willingness to foster ethical practices among the institutions or programs which it accredits, including equitable student tuition refunds and nondiscriminatory practices in admissions and employment.

(5) It maintains a program of evaluation of its educational standards designed to assess their validity and reliability.

(6) It secures sufficient qualitative information regarding the institution of program which shows an on-going program evaluation of outputs consistent with the educational goals of the institution or program.

(7) It encourages experimental and innovative programs to the extent that these are conceived and implemented in a manner which ensures the quality and integrity of the institution or program.

(8) It accredits only those institutions or programs which meet its published standards, and demonstrates that its standards, policies, and procedures are fairly applied and that its evaluations are conducted and decisions rendered under conditions that assure an impartial and objective judgment.

(9) It reevaluates at reasonable intervals institutions or programs which it has accredited.

(10) It requires that any reference to its accredititition of accredited institutions and programs clearly specifies the areas and levels for which accreditation has been received.

(c) *Reliability.* Its reliability is demonstrated by—

(1) Acceptance throughout the United States of its policies, evaluation methods, and decisions by educators, educational institutions, licensing bodies, practitioners, and employers;

(2) Regular review of its standards, policies and procedures, in order that the evaluative process shall support constructive analysis, emphasize factors of critical importance, and reflect the educational and training needs of the student;

(3) Not less than two years' experience as an accrediting agency or association;

(4) Reflection in the composition of its policy and decisionmaking bodies of the community of interests directly affected by the scope of its accreditation

(d) *Autonomous.* Its automony is demonstrated by evidence that—

(1) It performs no function that would be inconsistent with the formation of an independent judgment of the quality of an educational program or institution;

(2) It provides in its operating procedures against conflict of interest in the rendering of its judgments and decisions.

(20 U.S.C. 114(a))

Mr. FORD. One might observe that when somebody reforms from habit of long standing, they do so with abound, and I couldn't help but notice our reformed bureaucrat on the panel today reacting against this bureaucratic proposal.

Let's do it backward.

Mike, frankly, I am very much impressed with Mr. Saunders' two page commentary here, but I took a look at the sections (j) and (k) and I really have some difficulty understanding how anybody with a straight face could send those things up here.

Please give me some clue as to what we will be accomplishing by asking institutions to respond to those two items?

Now, it's possible that the problem with (j) is an ambiguity in language construction, although I think it does require the institution to identify the courses.

In the construction that Mr. Saunders has put on it, you would have to have an exhaustive list of those things which you are wasting your time taking at school and those courses for students that are aiming toward a degree.

That really smacks of the worst kind of outside interference with other people's ideas of what the value of education is.

How would an institution decide what is and what is not practical? Who is to say that I wasted time while going to law school because I became an expert on modern jazz as a result of taking courses in the school of music? If I am going to practice law in New Orleans, that may seem to me to be a reasonably good broadening experience.

How do they certify my music courses under those circumstances?

Mr. O'KEEFE. Your suggestion is the correct one; the language in sub-subsection (j) is somewhat ambiguous and was not intended the way in which Mr. Saunders interpreted it.

We do not intend to propose that an institution admit in print that there are curriculums that prepare you for nothing in particular.

Sections (j) and (k) set forth our concerns that there are large numbers of institutions that do advertise themselves very aggressively as providing a student with training for a specific career. They advertise themselves on television, in the newpapers, on radio, specifically stating or implying that if you come and take this curriculum you will get a job as a computer programer, as a beauty specialist, or what have you.

Our intention in (j) and (k) was to suggest that those institutions that clearly identify themselves as preparing one for a specific job ought—as part of the information they provide students—to include some indication of the success rate of those students in those specific job fields.

Mr. FORD. But your language is considerably broader than what you just described.

If a school says that after 10 weeks you will be an accomplished mechanic capable of being employed in a normal garage to repair the electronic system on an automobile, that is considerably narrower and easier to understand than the representation that the institution is offering a course or courses of study intended to prepare students for a particular vocation, trade, profession, or career field, just as preparing someone to be a beautician is much easier to define.

Take it over the other way, more traditionally, what do you mean when you are saying you are preparing someone to be a lawyer?

There are vast differences between what is going on in law schools today across this country.

Medical schools don't even have the same length of time for required courses. Medical schools are now requiring courses that were thought to be totally elective a few years ago, not directly relating to medicine at all, but called: Defend yourself against the Federal bureaucrat problems.

They should be teaching them how to avoid taxes. This is so broad that you would be asking schools to literally represent if you get a Ph. D. in government, ycu are going to know something about government, and we have a lot of evidence in this town that that isn't so.

Mr. SAUNDERS. I would like to agree with Mike in his last formulation.

We have no objection to regulating any institution that makes specific claims that its graduates obtain employment in this field. That is our understanding of the current regulation. Such an institution ought to be required to provide accurate backup data on which those claims are based. But your question is exactly right on the broader issue, Mr. Chairman: Who makes these decisions about career fields? The answer apparently in this proposed language is the Federal Government, all-knowing, makes these decisions. The problem is, they don't.

303

I have got just part of our voluminous *correspondence with the* Office of Education over the years on this kind of an issue. When their regulations were originally proposed, we sent them a series of questions asking how they define career fields.

Would art history or German or chemistry be considered a career field?

This is part of the answer we got back to that question:

> The use of the phrase "career field" was intended to clarify that the regulation covered more than just job training courses offered by proprietary schools.
>
> Most universities do train people for specific vocations or careers in fields such as law, medicine, engineering, nursing, et cetera.
>
> Many students enrolled in liberal arts colleges are not being trained for a specific career and thus would be exempt from this requirement, at least to that point in their educational career where they elect to major which does train for a specific vocation.
>
> It would appear to us that art, history, German or chemistry would not be subject to the requirement of this exemption except where a person is specifically trained for, for example, to become a chemist, translator or teacher of art, history or German.

You tell us what that means.

Mr. FORD. I think I begin to understand what they are trying to do; frankly, I have the feeling that the antiproprietary school bias that so frequently pops up in that place over there is once again leading us down the road that the VA takes us on every once in a while of "let's get somebody, because we have got a particular case where someone feels that a misrepresentation was made that we are going to teach you to be an auto mechanic."

As a matter of fact, it may be a school that doesn't have a car to work on that is younger than 10 years. Those things have to be lived with, but this is awfully broad language. I just would be very hesitant about putting that sort of thing into a statute, because the invitation for proliferation of people over there to try to interpret that for the wide variety of programs we have in postsecondary education would be something I am afraid that we couldn't resist.

Would you like to work that thing over and give us a little different approach to get at what you want?

You want a truth in packaging requirement that says, in effect, we are going to train you as a barber so that in the State where you are trained you will be able to apply successfully, at least in terms of our ability to train you, to take the test for being a barber.

That we can understand, but suggesting that somebody that has a major in accounting is going to go out and get a job in accounting when they leave school is ludicrous.

We would have to start tracking people at some stage.

A large number of people in undergraduate school are still wandering around trying to figure out what they are going to do. If we ever applied the tests that used to be applied for the Job Corps, we had people who attacked us in the Job Corps because we trained a young, barely literate, total failure out of society, a school dropout with no family, nothing, starting from ground zero, and we got them to the point where they got up every day, went to work and knew how to make change, do a lot of other things that we started out to train them for. Then 6 months later they were gainfully employed but not gainfully employed in a particular course.

They were in a Job Corps and people attacked us and said the Job Corps is a failure because you are training these people to be bricklayers and they are ending up as carpenters.

I am very sensitive to that sort of thing, and that is what we could be imposing on the colleges.

What people say they want to be or do or achieve when they are in school is very nebulous.

We have many doctors sitting out here as full-time Members of Congress.

Do you suppose at any stage that anybody would have certified what they were taking in medical school was leading them toward their real goal, or that they even knew when they were taking it that that was what they were going to do?

We have every profession you can imagine represented here in the Congress, and how many of the people deliberately took courses in college aimed toward this career?

I am just fearful that what Mr. Saunders is sounding is the kind of reaction we are going to get throughout the community, and we ought to look at that very carefully.

The next one, in the case of an institution which represents itself as offering a course of study as described in clause (j), the most recently available placement data for each course of study which is offered by the institution and is intended as preparation, and the percentage of such students who obtain employment at such position.

The interesting thing about that is that the institutions that can give that to you are the proprietary schools, because they make a habit of compiling that information and following up on their graduates to be able to induce other people to spend money with them and go to school by showing their results.

But there isn't a college in my State that can tell you with any degree of certainty what this is.

They don't know how many graduates in the University of Michigan Law School in the past 10 years are gainfully employed today.

By national statistics, we know approximately how many should be employed and how much they should be making, but we don't know whether they are representing gangsters on the east coast or whatever on the west coast, or investing in real estate or running a cattle ranch out here in the West someplace.

We don't know that, and we never have tried to find it out, and I don't think that most colleges and universities are in a position to know that.

We cannot even find the ones who owe us a student loan a year after they get out of school.

It would be very interesting to know how many people with a college education do in fact get a job related directly to that college education, but that is something that ought to be done by somebody writing a Ph. D. dissertation, not by high-paid people in the Department of Education.

I would ask you also to take another look at that and see if that is a practical kind of adventure for us to go on.

I understand what is being said here. That is if you use in your advertising that 90 percent of the people who go to the XYZ auto mechanic school go right to work, you should have data to prove that. But I don't know of any college or university that says *x* percent of the people who get a baccalaureate degree will get a job. I thought that was, in the traditional setting of the so-called traditional liberal arts college, secondary to the real purpose of education. And certainly our people in divinity schools would bridle if you suggested that they ought to justify how many people were gainfully employed who graduated from the divinity school. You are not supposed to be.

Mr. FULTON. The theological schools are one of my clients, sir.

Mr. FORD. This again catches too many people in the net. I would be inclined toward the idea that there should be truth in packaging; if somebody is going to represent that there is a direct connection between what they are offering, whether they are public, private, profit or nonprofit, and some specific measure of a goal of success, then they should put up what they offer. You shouldn't be enticed into an undergraduate school and permitted to take 4 years of college to find that their credits are not transferable to any school that has the kind of graduate school that you want to go to.

That is the kind of thing that we try to guard against, but I think again Mr. Saunders is showing the reaction of the education community to something that is overly broad. And I would hope that you could react to it.

The accreditation problem is a little more difficult for me to grasp. It does bother me that anybody could say that we have been certified by the Federal Government to be a good school. I don't know how you avoid that. It does bother me that we have had this growth ever since 1949, when it got started as an officially sanctioned accrediting agency. There is a clear distinction that is pointed out here between the problem of the accrediting agency in your testimony, Mr. O'Keefe, that accredits institutions and the accrediting agency that accredits programs, and I ask the question of anybody on the panel, why should there be a government-certified accreditor of programs as distinguished from institution?

Mr. FULTON. I would attempt to respond, sir. One of the points which most of the critics of this system fail to note is that the granddaddy statute for the Commissioners' list is 38 U.S.C. 1775, which is the GI bill, and that statute specifically, by its very words, refers really to courses specifically accredited. According to the self-admissions of the so-called regional accrediting agencies, and I quote the Western Association of Schools and Colleges, particularly. They say they don't accredit programs as such. So, therefore, whatever the administration might want to do with the elimination of accreditation as an instrument of institutional funding or eligibility, that would be unrelated to the statutory mandate to the Commissioner pursuant to 38 U.S.C. 1775 and particularly for programmatic accreditation. Under the GI bill accreditation does not serve as an element of eligibility accreditation is merely an alternative tool for course approval, not eligibility.

Now, whether or not the VA has, in fact, utilized that type of accreditation is distinct from the statutory mandate for the USOE list. The fact is they have not used it, but the statutory language is there, in my opinion, mandating particularly the utilization of programmatic accreditation for course approval.

Just to wind this up, as far as the Commissioner's list, I think it is very interesting Mr. O'Keefe has shifted his argument of whether eligibility would be any better—and there is that saying if it isn't broke, don't fix it—to complaining about how the Commissioner has administered his list. Heavens, if the USOE, the HEW, doesn't like the way in which the Commissioner administers the list, then they have the present statutory authority to change their criteria. In fact, most of us in the accrediting community had assumed that had been going on for the last 6 or 8 months.

Apparently that was only a ploy.

Mr. MacKinnon. The New York State Education Department, a State agency, and a nationally recognized accrediting agency by the U.S. Commissioner, does its accreditation by programs. Let me give one circumstance that is an illustration; we had an institution which was fine; it served a large number of students but nevertheless it did develop a program in which in the expenditure of State student tuition assistance moneys and in the case of Federal tuition assistance moneys we had to really raise some questions as to whether it was a proper type of program: were the students, in fact, receiving what was being purported to be received, and was it a good expenditure of Federal and State moneys in that program within an institution. The institution overall was fine, but sometimes you find programs that really need to be examined more closely. Without closing down the institution for one program, you can close off the program and allow the balance of the institution to continue.

Mr. Ford. The administration is saying that you should continue doing what you are doing except wear only one hat instead of two, that you would do exactly what you are doing without having the pat on the head, knighting you by the Commissioner of Education. How does that improve the quality of your accrediting function in New York State?

Mr. MacKinnon. We will continue whether we have the pat on the head as a nationally recognized accrediting agency or we operate just as a State agency. We will operate on that basis, on the program for equality.

Mr. Ford. I am wondering if there is another accrediting agency for family counseling and marriage counseling, if what we aren't trying to do is go around the back door and create a new thing called profession. We had three traditional professions one time, laying aside the oldest one, and now everybody is a professional, and you have become a professional when you get an association that says you are a member of that profession.

When I was a legislator, I was importuned to regulate surveyors and landscape gardeners. We were one of many States that did this, and now they are professional surveyors and landscape gardeners. The people who went to engineering schools to become civil engineers who were the people we called surveyors said what are you doing? You have these people with the right to advertise themselves as surveyors now, and they are tree planters, and you have by law given them the opportunity to be in the minds of people confused with a true profession of civil engineer.

This goes on all the time. Every time you get a group of people in a business—the marriage counseling thing has been all over this country in one form or another. A few years ago, we had the question of licensing marriage counselors, and the ministers and priests said we thought we were doing that sort of thing and doctors, who were the last ones who should be doing it, said we are not taking out a license because we do it. You had people who didn't fit into any other category who wanted to pursue that occupation and be able to put up a certificate saying they were certified to be, in fact, a marriage counselor because they had a course in psychology at the local agricultural school, and we have them all over the country now.

I am afraid that the administration has a point here that we ought to try to work out in my absence with the staff. How do you avoid having this present practice become a kind of a certifying process for unnecessary appendages on the accrediting field? Should people be able to say we are "a legitimate accrediting association; you either belong to us or you jeopardize your possibilities of getting Federal and State assistance," when you, as a State accrediting agency, have no right to override them when it comes to that particular field? If you are an accrediting agency recognized by the Office of Education, and the marriage counselors are an accrediting agency recognized by HEW, you can't stop HEW from giving them money, can you?

Mr. MacKinnon. No, this has been a problem in terms of coordinating——

Mr. Ford. But if it follows the administration proposal, it would all funnel through you; is that correct?

Mr. MacKinnon. I think the problem is that they are dropping to the States the question of license, chartering, legally authorized. There may be the legal authorization; they may have financial stability; they may have moral integrity of those incorporating, but then comes the question of 2, 3, 4, 5 years later, what is the quality of the programs being offered in that institution that was licensed, chartered, or registered, however it came into being? I think there is a need—we do it in New York State by program to continually look at the quality of the programs being offered by an institution that we had at some point said, yes, you may get started.

Mr. Ford. I am going to turn this over to Mr. Clohan, who has some questions on behalf of Congressman Buchanan. I have to observe, I think, you and I are agreeing with Mr. O'Keefe at this point; only we don't sound like we are agreeing with him. What you describe to me fits perfectly with my idea of what you should be doing at the State level but scares me when I think of the Federal people doing it.

Mr. Clohan. Thank you, Mr. Chairman.

In previous testimony on this issue it was suggested that by tying eligibility to accreditation, you, in fact, were making it virtually impossible for an accrediting agency to turn you down as an institution for accreditation. I see Mr. Fulton shaking his head; maybe he would like to comment on that.

It is also noted that, of the 8,800 institutions on the OE's eligibility list because of their association with accrediting agencies, 6,900 of those receive that eligibility because of their accreditation status.

What other factors were used by the other 1,900 institutions—to become eligible? Please comment on whether by tying the two together you preclude an accrediting agency from turning down an institution. How many are turned down.

Mr. O'KEEFE. I don't have that immediately handy. Let me supply it for the record. (See Attachment "B").

Mr. FULTON. As far as turning down agencies, as one who has been sued personally in a $3½ million damage suit, I can assure you that accrediting agencies do reject institutions and do expel them. Then of course you get caught in the trap of answering how many did you expel, and when you tell the next response is well, you mustn't be any good if you have to kick people out. You can't win. It is the attrition game, also. Is it high or low attrition, that is the essence of quality?

Mr. CLOHAN. The attrition rate, is perhaps what we should be discussing, since we are really talking about excluding them. Excluding them from eligibility for these programs, is where the difficulty occurs.

Mr. FULTON. If you accept the premise of the present system that the triad gets you into the ball game, and each element must come into place, and then once you are in the ball game, then the monitoring function, the post audit authority of 497A for the program administrators to set and measure by their fiscal standards the administrative performance of the school. It took the OE 3 years to get their regulations into place after the law was passed in 1972. This ignores the fact that they already under the General Education provisions had ample statutory authority, that is separate and apart from the three tried elements. You can kick people out, but this, then, brings into play an internal conflict of interest within the USOE that I have personally seen and experienced. Inevitably, there will come a time when the program administrator, to save his program, to preserve his statistics, or from possible external pressures, social, or otherwise, will want to keep an institution in the program, and therefore would not exercise the eligibility decision to deeligibilize the institution. This is the implicit hazard of reposing eligibility determination authority in the same office as eligibility termination.

At the present system, there are two different economic points. There is the division of eligibility, and separately there are the program administrators. Under the administration proposal everything would then fall into the program administrators' decision. You would have no inhouse balance of power to make sure that the program administrators are in fact observing their termination responsibilities. Look how long it took for the NDSL data to surface. At best 10 years.

I mean it is a very serious thing when you repose all the authority in one place. They won't use their present authority. This has been amply illustrated. In 1972, they said they needed more legislation. They got it. It took them about 3 years to get their regs. In 1976, they got more legislative authority, expanded 497A to include all programs. The administration has done very little with that expanded authority. All they do is continue to find fault with accreditation.

Mr. CLOHAN. If they assume the bandits are in the proprietary sector, why not let the FTC, as they have been willing to do, pursue those schools that are making allegations of placement rigs to induce the students into the programs?

When the chairman asked you to comment, Mr. O'Keefe, you were using proprietary school programs as examples of where there are abuses. Certainly the FTC has been aggressive, at least in the last year, in trying to clear up the very thing that it would appear HEW is trying to get at in the proposed legislation.

Mr. O'KEEFE. Let me respond to a couple of your questions, Mr. Clohan. Under some circumstances an institution can be certified as eligible even if it does not meet the accreditation criteria—for example if it gives evidence that it is making satisfactory progress toward accreditation or qualifying for accreditation by the appropriate accrediting body or if it meets what is called "the three-letter rule." If three other institutions which are accredited accept the credits of an unaccredited institution, then the unaccredited institution is regarded as being "acceptable" in the community, and therefore it is given acceptable eligibility status.

The question of, "Why not the Federal Trade Commission?," is a legitimate one. The major policy thrust of our proposed legislation is to provide dollars to the consumer, that is, to the student, based on need. The fundamental policy behind these programs is to assure access. We are not proposing any changes in that, but we are proposing to arm the consumer with the economic capability to purchase the service.

In tandem with this policy there should be provisions that identify the responsibilities of the institutions to which these consumers will be going to purchase the services. There are responsibilities for adequate information, for certain kinds of information to enlighten those consumers as they shop around for the particular product they are looking for.

The question of where in the Federal Government that responsibility ought to reside is a legitimate one. It appears to us, however, that given this very strong thrust, we should arm the consumer, and that there should be concomitant and complementary minimal information requirements that the sellers of service have to provide buyers as they shop around with Federal money.

Mr. CLOHAN. I am not questioning whether it should be in the Higher Education Act; it obviously is now, and I don't think there is any question from the members that the standards that are in 493 be retained, or maybe slightly changed. It is the expansion that concerns me. When you start looking at dropout rates and start looking at imposing tuition refund policies, or allowing the Commissioner or the Secretary to set standards for tuition refund policies, that expansion should be carefully considered.

I think the consumer information is necessary, and most people agree with that.

Mr. O'KEEFE. On the refund policy, which is certainly a controversial issue in the department and in the Congress we simply feel that there are sufficient examples of concern to convince us to propose some minimal requirements for refund policies. It was never our intention that we would develop new criteria or criteria different from those developed in a cooperative relationship with the higher education community. The assumption of an adversarial relationship at the starting point is certainly not our intention. We feel that there is room for serious abuse in a system in which poor students who may be poorly qualified are attracted into institutions and then drop out very rapidly. There should be some provision that a refund policy be in place, that the student know what that refund policy is.

Mr. **Saunders**. That is already in the law.

Mr. **O'Keefe**. It is in the law to the extent that if the student asks for it, it has to be available. We would require that the information be made available to the students.

Mr. **Saunders**. The law requires the institution to publish its refund policy already.

Mr. **O'Keefe**. What we are suggesting is that an abuse exists when you do not define what a refund policy is. To simply require institutions to publish a refund policy with no requirement as to what that policy should be is not enough.

Mr. **Clohan**. It was noted earlier that your original proposal as it came up last Thursday suggested that there would be a savings of approximately $1 million, and your testimony today stated $500,000.

What would be the net cost to the higher education community, accrediting associations, and the Federal Government of the change that you are proposing? I know that is difficult to assess, but if the Federal Government saves $500,000 or $1 million, will there be a concomitant increase in the cost at the State level, perhaps because of their increased responsibility?

Mr. **O'Keefe**. That is obviously a highly judgmental question. It seems to me, however, that the weight of the argument can be put on the side of savings rather than cost. That is to say, the accrediting agencies, themselves, will not have to go through the voluminous process of staff review. We will not have to split hairs on issues like whether family and marriage counseling is, in fact, an identifiable discipline. There are savings associated with that. The accrediting organizations will not have to go through that process.

At the State level, I believe most of the States, all but 3 or 4, have criteria and an administrative process already in place in their licensing procedures that in most cases, in fact, recognizes the role of accreditation as fully as we do at the Office of Education. Those procedures are now in place; it is, in effect, as the chairman suggested in his dialog with Mr. MacKinnon, duplicative of what the U.S. Commissioner of Education now has to engage in. It seems to me that on balance it is going to save money, not cost money. I think the implication that it will cost money suggests that a new activity needs to be undertaken. It doesn't. What we are proposing is to eliminate a duplicative activity.

Mr. **Clohan**. Would someone else like to comment?

Mr. **MacKinnon**. I think one of the points that I mentioned, was who should pay for the accreditation of the program and we support the program accreditation.

I don't think current law says you have to use a private agency, but rather you could use accrediting agencies that are public.

In terms of who pays, should it be a public expense to review public policy issues or should the institutions through student fees have to pay for the accreditation process, I think private accreditation is going to have to remain there in some part.

The total reliance on licensure administration goes to far. The public agencies, States, should be looking at the quality of programs after they have established an institution.

Now who pays, that is still another item that could be discussed.

Mr. Fulton. I would like to respond on the cost factor. I would still like to get at page 6 of Mr. O'Keefe's second justification, "Will prompt citizens to take greater responsibility for the quality of education offered by institutions."

He has admitted that the accrediting agencies do a splendid job in determining quality, but I infer by eliminating accreditation as an element of eligiblity he is uninterested in having quality as an element of eligibility.

At the same time he would provoke the citizens of the States, and the States other than New York have not exactly been falling all over each other for the last 25 years to form State-financed, State-supported accrediting agencies or the viable equivalent.

The current legislation clearly permits a State to perform that function and to be recognized or else the Commissioner is doing an illegal act in recognizing the State of New York.

As I think we all agree, there is no such thing as a free lunch. Now if the administration is going to get the citizens to pressure the States to do what the USOE would no longer recognize, the accrediting agencies, that would cost each State—and New York is really the only State now doing it.

So there are 49 States that presumably at a minimum would cost about $1 million for each State.

Mr. Clohan. If we assume that the States would have to pick up additional responsibilities, and given the fact, as noted in the COPA testimony, that some States don't have any authorizing laws, will the States be able to accept these responsibilities?

In addition to the question of costs, the committee must deal with the question of phasing in the changes as you suggested. How long would this phase in take and what complications would arise or should it just be an immediate dropping of the requirement for eligibility upon enactment of the law?

Mr. O'Keefe. Yes, it could be phased in.

I would also like to react to Mr. Fulton's remarks. I don't know where he gets his data that the States are not doing anything to assure quality of education within their boundaries.

I think we can probably find examples of States that do a relatively poor job of it. But I think the vast majority of States in fact exercise a substantial amount of quality control over postsecondary education.

It is our position that that is a State function and that we have to rely upon that function at the Federal level, and that the presence of an onerous, bureaucratic, and paperwork ridden process at the Federal level doesn't substitute for the State responsibility.

It seems to me that in those instances in which the States are absolutely derelict in their responsibility, we could probably make some other provision. But those cases are very few and far between.

Mr. CLOHAN. In the first hearing on this subject, Chairman Ford read about 4 to 5 pages of written transcript about his concerns with the States picking up more responsibility in the area. I do think it is important to know what the States are doing now.

Ms. KNUDSON. The most recent study of that is the AIR report on State oversight. It is now 18 months old and it is worth your looking at because it gives a very clear picture of what each State is doing, what was in the works in each legislature. That can be updated very quickly by a call to the education commissions of the States which monitors this very carefully.

I remain puzzled by what I think is a fundamental question here. I would like to ask you, Mike, to comment on this. It does seem to me that it is terribly important for students to have the kind of consumer information that you are talking about, about refunds, et cetera.

I appreciate that and agree with the Federal concern for that. But it does seem to me that surely more fundamental even the refund policies is the question of educational quality. I mean, students do need to have some guidance about educational quality.

The States are woefully, as a general rule across the country, and New York is surely an exception here and your commentary is giving us a very one-sided picture of the State's role.

So we do need to deal with the question of educational quality. Students need to at least have some information, rough as it might be.

That, I guess, takes me back to what is the fundamental position here with which I think I am in opposition. It has to do with the assertion that the recognition function as exercised by the Office of Education doesn't have anything to do with educational quality.

I disagree with that. That does not mean to say that I believe that accreditation of an institution means that every course in every accreditation system is superbly taught. I know better than that.

I am only the chairman of this committee with a very small part of my time. In the bulk of my time I am a campus-based professor and I teach. But I do believe that accreditation procedures at the institutional level are helpful to us in our own self-study and in our own monitoring of our own educational practices.

Similarly, I do believe, and accrediting association persons with whom I have come in contact in this past year in my capacity as chairperson, many of them have told me that they have felt that the process of going through the recognition requirements of the Office of Education was in fact very helpful to them.

Certainly they complain about some of the details, and I would not argue that we need to refine that in continuing ways.

But most of them have felt, the ones who have talked with me, at least, have not felt the process to be extraordinarily onerous. They have in fact assured me that it has been helpful to them to study themselves, that it has been helpful to be reminded that they need to have adequate due process requirements, et cetera.

So I guess I really question a kind of assumption which is that processes bear no relationship to quality. It certainly is not a 1-to-1 kind of assurance that if you have good processes you are going to have good quality.

But I make some kind of an assumption that good processes, whether in an accrediting association or in an institution, do have a relationship to quality and that we are in fact talking about quality.

In fact, one of the most recent criteria that we have wanted to utilize is to encourage accrediting associations to look more toward outcome issues which is better than process to be sure.

All of that is by saying that the current process is not perfect by any means, that we need to continually work at it.

But I am very uneasy about essentially dropping out quality considerations from eligibility concerns, at least given the present situation of the States.

Mr. O'KEEFE. I would be delighted to respond.

It seems to me the issue of quality is of great concern to the Federal Government and to those of us who are charged with administering these programs. The fundamental question comes down to this: How do you assure quality?

What I am asserting today is that you do not do it through the accrediting process. What I assert is that we have a decentralized, self-policing, independent higher education community in this Nation and that it is the role of that community itself and of the States—which have the major constitutional responsibility for education—to take that responsibility on their shoulders. That is to say that fundamental quality is something that has to be determined there, not at the Federal level.

I think some of the other financial criteria—whether funds are appropriately administered, whether there are adequate refund policies—those are appropriate from the Federal level because we are dealing with the financing of students.

It seems to me that if we are going to start regulating quality, then we had better create a system that is substantially more effective than the current accreditation process.

Earlier I inserted the criteria established in our regulations against which accrediting agencies are judged. Ninety percent of these criteria relate to organizational and structural characteristics that in no way touch upon the quality of the program in the institution. We are in the business of determining whether an organization is viable, whether it has adequate membership, whether it is large enough, whether it has sufficient staff, whether it keeps its books in an orderly fashion, et cetera. That has very little relationship to quality.

I agree with you that process can have an impact on quality. What I would observe, however, is that the current process does not.

Ms. KNUDSON. What is the nature of the evidence that you use for that, Mike?

Mr. O'KEEFE. I put it in the record because I didn't want to read through it, but the criteria are in our regulations. As I say, I would be happy to go over it. It seems to me it would take a long time to do so at this hearing.

Mr. CLOHAN. Assuming that the Office of Education no longer accredited accrediting agencies, wouldn't there be a resulting increase in program requirements and overview in other areas and potentially greater program costs?

Mr. O'KEEFE. No. The impression has been given that we would drop all threshold eligibility criteria for institutions. That is not the case.

Current statutes specify that to establish threshold eligibility for Higher Education Act programs an institution must not only be accredited, it must also be legally authorized in the State in which it is located and it must meet requirements related to the level of program offerings and the type of students admitted. Beyond this threshold eligibility determination, an institution must also meet the specific eligibility requirements of each program to which it applies.

We are proposing dropping this particular one. That is to say, we would continue the function of identifying institutions that are eligible, that meet these criteria in a generic sense, as eligibility institutions, to apply or participate in Federal programs.

Mr. CLOHAN. But if 6,900 out of 8,800 get their current eligibility status because of accreditation and you eliminate that what would be the result?

Mr. FULTON. Sir, I believe that figure, 6,900, is subject to interpretation. It is only about 2,500.

Barbara, you can probably break that down as between institutional accreditation and some other.

Ms. KNUDSON. I am not sure that I can.

Mr. FULTON. But there are not 6,900 institutions accredited as such.

Now there may be programs in nonteaching institutions that accumulate to 6,900, but I believe there are about 2,500 or 2,900 so-called higher education institutions and about maybe 1,500 proprietary.

Mr. CLOHAN. Can we get that for the record?

Ms. KNUDSON. I think we can get that information to you to clear that up. A large number of the accredited programs that you are talking about are such things as hospital-based schools of nursing which derive their eligiblity for Federal funding through accreditation not of the institution but rather a programmatic institution of schools of nursing. That amount is a very large number.

I don't know what your number of 6,900 out of 8,000-some is. I don't think that is correct. I could be wrong. Because there are not that many that are either satisfactory or three letter rules, I don't believe. That would be a very large number.

Those routes that Mike described to you are exceptions to account for unusual circumstances, timing problems, et cetera. I don't know what that is, but I am sure we can get that information to you.

Mr. O'KEEFE. Yes, I believe we can provide you with a breakout of the institutions by type of eligibility.

Mr. FULTON. May I comment?

This represents one of the continuing concerns that COPA and the accrediting community has had with the present system. I think many people have been laboring under the delusion that the OE's eligibility system, depending as it does in a substantial way on accreditation, meant all of those institutions that became eligible had somehow gone through accreditation.

As was illustrated by the discussion that just preceded my remarks, this is not the case. Let me comment a little further.

There are more than 2,000 hospitals on that list of 8,800 eligible institutions. With only a few exceptions, those hospitals, first of all, have never been chartered or licensed by the State as institutions of postsecondary education.

They, of course, have been authorized by hospitals. But the State has not looked at those operations to see if they meet any other kinds of requirements as they would have a college or university or proprietary schoool.

None of those hospitals has gone through institutional accreditation, again with only a few exceptions. What those hospitals have are anywhere from one to a handful of teaching programs, and those individual programs have been looked at by a programmatic, specialized accrediting agency which is concerned to make sure that it meets all the requirements for the training for that specific program.

So we have a very big gap here in the way we treat a number of institutions on that eligibility list as contrasted with the way we treat other institutions on that eligibility list.

In addition, there are a substantial number of foreign institutions on that eligiblity list, over 800. They have, of course, not been licensed by a State and they have not been accredited by a recognized accrediting agency. We are not sure to this day how they get on that list, by what criteria or process, but they are there.

We are not sure to this day what efforts are made to make sure those institutions comply with all the regulations that are in existence at the present time and proposed for the future.

In addition, there is on that eligibility list, as has been pointed out, a number of institutions that have gotten there by so-called equivalencies to accreditation.

We really challenge those as equivalencies. The reasonable assurance is an act by the Commissioner to determine that an institution has given reasonable assurance as to making progress toward accreditation.

For this purpose the Commissioner has turned to so-called candidacy status. The accrediting agencies in granting candidacy status are not in any way assuring the Federal Government anything about those institutions except that they have entered into preliminary discussions and relationships with those institutions, presumably that will lead eventually toward accreditation.

The so-called three-letter rule, this is accreditation by osmosis or quality by osmosis, I presume. If three accredited institutions will write letters saying they have accepted students in transfer from this non-accredited institution and those students have demonstrated they can do the work, then, presumably, this indicates that that sending institution has met some sort of quality standards and therefore can become eligible for Federal funds.

So we have an eligibility system here that is fraught with all kinds of untested assumptions, and I would be prepared to argue incorrect assumptions about what accreditation is speaking to, whether accreditation is indeed present in the picture, and whether or not the so-called equivalents are indeed equivalents.

Mr. **Clohan**. That gets back to my first question about the institutions on the list. Which ones come in by what methods?

Mr. **O'Keefe**. We will have to supply that for you, if we can. If we can't, we will supply something.

[Information referred to follows:]

Questions About the "Basic Eligibility List"

(Administered by the Office of Education, Division of Eligibility and Agency Evaluation)

1. How many entities (programs, institutions, and institutional components such as schools or departments) are currently on DEAE's Basic Eligibility List?

2. Of this total number of eligible entities, how many are: (A) Institutions; (B) programs; and (C) institutional components such as schools or departments?

3. Of the total number of eligible entities, how many were demed eligible by virtue of:

A. Having full accreditation.

B. The Commissioner's determination that there is "satisfactory assurance" that the entity will attain accreditation within a reasonable time.

C. Documentation that the entity's credits are accepted on transfer by at least three accredited institutions.

D. Being granted "interim approval" by the Office of Education, in cases where there is no nationally recognized accrediting agency or association qualified to accredit the entity (Section 435(b)—applies only to entities applying for the GSL Program)

E. Being an institution or school outside the U.S. which the Commissioner has approved as being "comparable" to such entities within the U.S. (Section 435(a)—applies to GSL Program only)?

4. Of the total number of entities in category 3A above (full accreditation), how many are: (A) Institutions; (B) programs; and (C) institutional components such as schools or departments?

5. Of the total number of entities in category 3B above (satisfactory assurance), how many are: (A) Institutions; (B) programs; and (C) institutional components such as schools or departments?

6. Of the total number of entities in category 3C above (credits accepted by accredited institutions), how many are: (A) Institutions; (B) programs; and (C) institutional components such as schools or departments?

7. Of the total number of entities in category 3D above (interim approval), how many are: (A) Institutions; (B) programs; and (C) institutional components such as schools or departments?

8. Of the total number of entities in category 3E above, how many are: (A) Institutions; (B) programs; and (C) institutional components such as schools or departments?

Answers—"Basic Eligibility List"

Notes—This report refers only to the DEAE basic eligibility list applicable to the various eligibility provisos of the Higher Education Act of 1965 as amended.

1. Number of entities: Domestic, 7,958; foreign, 856; (Total: 8,814.)

2. Eligible entities: (A) No. Institutions, 6,164. (B) No. Programs, 1,794. (Hospital schools and programs, 1,700 and museums, 94.)— These are accredited by specialized, programmatic accrediting agencies and meet the statutory definition of an institution of higher education. (C) No. Components, schools and departments, none.

3. Eligible entities: (A) Fully accredited, 6,750. (B) Satisfactory assurance 280. (i) Pre-accredited, 280. (ii) Direct satisfactory assurance, none. (C) Three-institutional certification, 54. (D) Interim approvals, 30. (E) Comparable foreign institutions, 856. (F) Public area vocational schools, 743. (G) State-approved public postseconday vocational schools, 101. (Total: 8,814.)

4. Fully accredited entities: (A) Institutions, 4,956; (B) programs, 1,794; (C) components, none. (Total: 6,750.)

5. Entities with satisfactory assurance: (A) Institutions pre-accredited, 280; (B) programs, none; and (C) components, none.

6. Entities with three institutional certification: (A) Institutions, 54; (B) programs, none; and (C) components, none.

7. Entities with interim approval: (A) Institutions, 30; (B) programs, none; and (C) components, none.

8. Foreign institutions: (A) Institutions, 856; (B) programs, none; and (C) components, none.

9. Public area vocational schools: (A) Institutions, 743; (B) programs, none; and (C) components, none.

10. State-approved public postsecondary vocational schools: (A) Institutions, 101; (B) programs, none; and (C) components, none.

Mr. WOLANIN. Chairman Ford will not be returning because of the business on the floor. At this time we will adjourn the hearing and the subcommittee will meet again tomorrow morning at 9:30.

[Whereupon, at 2:45 p.m. the subcommittee adjourned, to reconvene at 9:30 a.m., Thursday, July 26, 1979.]

[Material submitted for inclusion in the record follows:]

JOHN H. BUCHANAN, JR.
6TH DISTRICT, ALABAMA

MEMBER:
COMMITTEE ON
FOREIGN AFFAIRS

SUBCOMMITTEES:
INTERNATIONAL OPERATIONS
AFRICA

COMMITTEE ON
EDUCATION AND LABOR

SUBCOMMITTEES:
ELEMENTARY, SECONDARY AND
VOCATIONAL EDUCATION
POST-SECONDARY EDUCATION
HEALTH, AND SAFETY

COMMISSION ON SECURITY
AND COOPERATION IN EUROPE
PRESIDENT'S COMMISSION ON
COAL

Congress of the United States
House of Representatives
Washington, D.C. 20515

ADMINISTRATIVE ASSISTANT
JAMES T. APPLE
2263 RAYBURN HOUSE
OFFICE BUILDING
WASHINGTON, D.C. 20515
202-225-4921

DISTRICT OFFICE:
CAROLYN R. GOLDEN
EXECUTIVE ASSISTANT
ROOM 105, FEDERAL BUILDING
1800 FIFTH AVENUE NORTH
BIRMINGHAM, ALABAMA 35203
205-254-1525

August 3, 1979

Dr. Mary F. Berry
Acting Commissioner of Education
Department of Health, Education
 and Welfare
Washington, D.C. 20202

Dear Commissioner Berry:

Following the Subcommittee on Postsecondary Education's hearing of July 26, 1979, I am submitting to you a list of those questions pertaining to the title III -- Strengthening Developing Institutions program, which were unable to be addressed during the hearing. As you are well aware, the subcommittee is near conclusion of the hearing schedule on the subject of reauthorizing the Higher Education Act. For that reason, it is important that we receive your response to these questions before September 1, 1979.

It seems very possible that we will be able to complete House action on the Higher Education Act by the end of the first Session, as Chairman Ford intended. Your cooperation in assisting the subcommittee during this time of unexpected change in the Department is greatly appreciated.

Best wishes.

Sincerely yours,

John H. Buchanan, Jr.
Member of Congress

cc: Hon. Patricia Harris
Dr. Alfred Moye
Mr. William A. Blakey

QUESTIONS TO THE OFFICE OF EDUCATION ON TITLE III

1. The Administration's proposed language for the Title III program deletes reference in the current law to the bi-lateral and consortium arrangements. Although there is no mention of them in the law, is it the position of the Administration that the funded title III institution could, under the Administration's proposal, use their grant money in cooperation with either an assisting agency or institution(s) of higher education? If so, how does OE intend to clean up the problems that have surfaced with the consortia currently funded under law? (i.e. Would an institution that is not eligible to compete for title III funds be eligible to participate in a consortial arrangement? What funds management system would be established so that grant money can be effectively accounted for? Would there be a limit to the number of institutions able to participate in a consortia? What would be the appropriate role of an assisting agency? What auditing requirements should be established for assisting agencies? Should there be an institutional match?)

2. In Acting-Commissioner Berry's testimony, she referred to the fact that during the development of new regulations for the Developing Institutions Program, 51 different measures of institutional viability were considered.

   (a) Could you please submit for the record a list of those measurements and a summary of why HEW chose the measures which are outlined in the final regulations for the program submitted on March 30, 1979, and which became part of the proposed change in law?

   (b) Were there any statistical runs conducted to show how these factors would affect various types of institutions? If so, when were those available to the public? Could you please submit them for the record?

3. There exists a National Advisory Committee on Black Higher Education and Black Colleges and Universities. In their recently released report entitled "Access of Black Americans to Higher Education: How Open is the Door?", there was no specific recommendation on how the title III program should be altered. Were there any recommendations received by the Secretary from this committee?

4. (a) In Acting-Commissioner Berry's statement, she indicated that the measures to determine an institution's need were selected on the basis of serving those institutions that the Congress intended be served. For the years that this program has been funded, the Congress has heard repeatedly from the Office of Education that the Congressional intent is unclear, a fact which has caused the program to be in disarray for years. To what were you referring when you indicated that the indices of measurement were "examined to determine those institutions that the Congress intended to be served?"

   (b) During the Conference on the Education Amendments of 1972, the conferees agreed to drop from the legislation a Senate provision which would have required "that not less than 50 percentum of title III funds be used for institutions which enroll a significant proportion of students who have had inadequate secondary school preparation or have come from educationally, culturally, or economically deprived backgrounds." That provision was struck from the conference document and did not become part of the law. It was clearly the Congress' intent that title III, the major institutional aid program under the Higher Education Act, be tied to factors relating to institutional need, as opposed to the Administration's current recommendation as an extension of the financial aid programs. What legislative precedent gave the Office of Education guidance in determining it was student factors that the Congress intended be used to determine eligibility for title III rather than institutional factors?

5. The Administration's proposal provides eligible institutions with an option of applying for one of two types of awards: three-year awards, with the option of recompeting, or seven-year awards, designating a final award under the program.

   (a) What incentive would there be for an institution to ever compete for a seven-year award? If they could continue to recompete under the three-year option, the provisional "maximum grant" does not seem to be workable. How are these programs different from the basic and advanced programs? Could an institution apply under both programs simultaneously?

   (b) Would the size of the awards be significantly different under the three and seven-year options?

   (c) Would an institution receive the award in yearly installments? Or would they have access to the money to use it at whatever pace they determined?

   (d) Should an institution have to use all of its award in the fiscal year granted? Under what conditions would a carry-over be permissible?

   (e) Should institutions which have already received multiple years of funding be eligible to compete for only the seven-year grant?

   (f) What objection would there be to prohibiting an institution from recompeting for a three-year grant until all other eligible institutions had been funded at least through one three-year cycle? This would establish a policy of not giving preference to already-funded institutions.

6. The Administration's proposal provides for the creation of a new "challenge grant" program. It is unclear if the Administration intended to restrict the use of monies (at least the Federal portion) to the types of development outlined in Sec. 304.

   (a) Could an institution use the challenge grant money for any developmental purpose they determined? Should an institution be prohibited from using the challenge grants to create endowments?

(b) Could a graduate school whose undergraduate institution is not otherwise eligible to compete for title III awards be eligible to compete for challenge grant money?

(c) There is no maximum number of years under which an institution can compete for challenge grant monies. What is the Administration's objection to tieing a limit of participation onto this section?

7. The purpose of the Advisory Council on Developing Institutions is, as outlined in the Administration's proposal, to (1) identify developing institutions and (2) assist the Secretary in establishing any criteria for making grants under this section. These responsibilities do not differ significantly from those existing in the statute.

(a) If an institution's eligibility to compete for funds is to be determined on a quantifiable scale, what purpose does the Advisory Council serve in determining and identifying developing institutions?

(b) How have the nine members of the existing Advisory Council been selected? Has there been a sensitivity to assuring that all types of institutions are equitably represented?

(c) What specific recommendations have the Advisory Council made in reference to the proposed changes which the Administration has submitted? Has the Advisory Council reviewed and commented on them?

8. In a recent press release, then-Secretary Califano indicated that the Federal government is providing nearly $320 million per year to support black colleges and universities. Could you please list the forms of that aid and the programs from which it comes. (Press release dated June 13, 1979).

9. The Administration's proposal suggests a new purpose under the title III program which would provide Federal support to institutions to improve (1) the academic quality, (2) institutional management, and (3) fiscal stability of the developing institution.

(a) What types of development activities would be allowed under this broad and general construction? What limitations and restrictions (other than those listed in Sec. 308) would be specified?

(b) We are entering a period of declining enrollments, shrinking dollar and limited resources. How can an institution demonstrate that it is improving its fiscal stability? What measure would be used to determine this?

(c) The Administration has recently begun to define the program's purpose as one to "strengthen" developing institutions, as opposed to the notion that an institution would reach "the mainstream of education" or a state of development. If the criteria are changed to target institutional aid dollars to those schools enrolling low-income students (favorably measured under the current regulations by a high number of Basic Educational Opportunity Grant recipients), aren't we theoretically talking about any institution qualifying if they are able to recruit a high enough number of BEOG recipients?

(d) What disincentive would there be for an institution to engage in recruitment activities to increase the number of low-income students?

(e) As evidenced by the passage of the Middle Income Student Assistance Act last year, the Congress is expanding the opportunities for higher education to middle-income students. What projected impact will this have on the determination of eligibility under the program, assuming that similar regulations would be used under the Administration's proposed changes to the statute as are in effect now? Will more institutions qualify as "developing"?

10. Other than providing a 50 percent match for public institutions applying for challenge grants under the Administration's proposed title III, the States are not given a strong role in planning.

(a) What should be the State's role in planning for comprehensive postsecondary education, specifically as it relates to title III?

(b) Should the States be able to comment on the application for a title III grant award before it is sent to the Office of Education? What limitations should there be on the State's involvement in the title III program?

11. Many institutions that have participated in the title III program in the past have been ruled ineligible to compete under the existing and recently established regulations. The reason for this, in some instances, is that the institution is a branch campus of a major institution that, in itself, would not qualify for title III assistance. Should the law provide for elibibility of a branch campus when that branch is independent financially from the main campus, providing it is otherwise eligible to compete for funds under the program?

12. Section 308 addresses the limitations and funding restrictions for title III grant awards. Several of the traditionally black public institutions of higher education are located in States that are now under court order (Adams vs. Califano) to disestablish their dual systems of higher education. The court was specific that in order to effectively complete this task within the five-year period of time, the traditionally black institutions must be brought up to a level of educational quality equal to that of the predominantly white public institutions within the State. Each State under court order has filed a plan with the Office for Civil Rights describing that State's plan for desegregating their public institutions of higher education.

(a) Would there be any objection to changing Sec. 308(2) to read:

"(2) for any activity in any public institution of higher education located in a State which is under court order to disestablish its dual system of higher education that is not specified in the State plan for bringing that institution into compliance within the time period alloted under the court order. In the event that the grantee institution has complied on all points with the

State plan for desegregation, or in the case where the grantee is not located in a State which is under court order to desegregate, the grantee may use funds under this title for any designated purpose as long as the activity does not promote or enhance segregated educational activities."

(b) What is the Administration's reaction to including the two new subsections under Sec. 308:

"(3) for operational and maintenance or general expenses; or

"(4) for such purposes other than those outlined in the annual plan for development which was submitted to the Office of Education."

13. Deleted from the Administration's proposal for title III was the provision that required an institution to be accredited by a nationally recognized accrediting agency or association. How would the program be safeguarded from institutions participating which do not provide a quality educational program? Would the absence of the Federal role in accrediting necessitate greater State participation?

14. The Administration reverses the set-aside from the existing 76 percent to degree-granting institutions, and in its place suggests that not more than 24 percent go to community colleges. What is the purpose in this change?

15. Under the current program and under the Administration's proposal, there is reference to the waiver for institutions located (1) on or near an Indian reservation or a substantial population of Indians, and (2) to any institution which the Commissioner determines is increasing the educational opportunities for Indians and Hispanics. Under the present program operation, funds have gone to institutions to establish Native American and Hispanic programs which, while they might at first glance appear to substantially increase the higher educational opportunities for both groups, are not sensitive to the special educational needs of these groups. Is there any objection to making the waiver contingent on establishing education-need sensitive programs for these two groups, in addition to increasing their educational opportunities?

16. As part of President Carter's Black College Initiative, there is perceived to be a step-up in the Administration's focus on assisting the traditionally black colleges. Specifically, how is the Administration proposing to do this? Other than a policy of general support, what specific steps have been or will be taken to ensure increased assistance to the traditionally black colleges?

17. The Administration's proposal suggests that an institution can apply for presumably small planning grants (Administration program notes indicate one-year).

(a) What figure constitutes a "small" grant?

(b) Why should the Federal government fund institutions for planning for development? Shouldn't a school know what ways it needs to develop instead of the Federal government allowing limited resources to assist in planning?

18. The Administration's proposal deletes reference to using grant monies for either the Professor Emeritus or National Teaching Fellowship programs.

(a) Could an institution, if it determines it could be strengthened by such, establish its own professor emeritus or teaching fellowship program?

(b) If so, the law is explicit on the maximum annual stipend per individual for either program. Would the Office of Education expect to establish ceilings for this type of service? If so, based on what?

19. (a) Under the present program, an institution receiving a title III grant is required to file an annual progress report. Should there be an additional subsection added to Section 305 specifying that any institution that does not comply with program and fiscal reporting requirements to the satisfaction of the Secretary would have funds cut-off, and would be ineligible to compete under the program?

(b) The General Accounting Office indicated that there was little or no OE follow-up on reports submitted by institutions. How will the clarified purpose and new eligibility criteria help OE evaluate the quality of development institutions report?

(c) Will this free OE to conduct more site visits?

20. There is no penalty for misuse of funds. Would there be any objection to including a section that specifies that any institution misusing funds or services under this act would be ineligible to receive additional payment and would be unable to compete for grants under this title in future years?

21. (a) If the community college set-aside (as proposed by the Administration) were eliminated, and all institutions competed equally for the total pot of money, how would the eligibility criteria (especially the double-weighting of the BEOG award) affect the community colleges who enroll significant numbers of part-time students? How does the current proposal affect the eligibility of community colleges vis a vis four-year institutions regarding the half-cost limitation for the Basic Educational Opportunity Grant?

(b) If there was no set-aside in the law, how could the criteria have to be changed to ensure equitable competition by all types of institutions?

22. The Department of Health, Education and Welfare, according to the press release dated June 13, 1979, will be providing information to black colleges and universities to assist them in applying for grants and contracts from HEW's "more than 400 district programs." Please describe the nature of this information and how this will be delivered. Will this technical assistance come at the institution's request?

23. If the educational and general expense per full-time equivalent student were to be a factor used to determine eligibility, what costs could be included in that? Would you include debt service as an expense, particularly in the case of public institutions? What would the effects be if E&G expenses were not regionalized to compensate for difference in costs across the country?

24. Under the proposed program, an institution would submit its plan for comprehensive development. Who is to measure what is developed and whether or not the institution is making progress? Is it a "good faith effort" on the part of the institution?

25. The Federal government has never established a uniform way for computing full-time equivalent student count. The National Center for Education Statistics qualifies that the FTE counts in the Higher Education General Information Survey are not uniformly computed. Under the proposed changes, how would the Office of Education determine to verify "full-time equivalent" student count? Would there be a standard formula in statute?

26. Wouldn't comparing the educational and general expense per full-time student be inequitable if privates are compared to publics who enjoy a good deal of State subsidy? How will this comparison be equitably computed?

27. Should institutions funded primarily by the Federal government be eligible to compete for title III funds? (i.e. University of the District of Columbia, Howard University, etc.)

28. In the rationale for change of the definitional purpose (Appendix to the Administration's testimony presented to the subcommittee on July 19, 1979) the statement read: "The proposed language (re: purpose) would eliminate confusion and direct funds to the neediest institutions." It is unclear whether the Administration's proposal is tieing title III grants to institutional or student need. Could you please elaborate.

29. Under the Administration's proposed language, an institution would have to give a comprehensive development plan that would show specifically how it plans to develop. Under the current program operation, it is believed that many schools are now using their title III money for operation and maintenance expenses. How would this language prohibit the continuation of such use?

30. One of the strongest criticisms of the title III program has been in the area of program management. For several years, the Office of Education maintained that the combination of quantitative and qualitative criteria made subjective determinations hard to avoid. Consequently, the General Accounting Office testified before this subcommittee that there were "many inconsistencies in the Office of Education's application of procedures for selecting institutions... resulting in questionable awards." How will the changes proposed by the Administration facilitate a more manageable program operation? Who will have ultimate decision-making responsibility as far as grant awards are concerned? What middle-level input (i.e. readers' comments, program person, etc.) will be at the disposal of the decision-maker(s)?

31. The grant awards process for FY 1979 grants has been delayed well beyond the anticipated June 30 date for announcement. Have the delays been caused in part from difficulties in program operation resulting from the program changes established in the new regulations? Please elaborate.

32. For the fiscal year 1979 grant awards process were institutions that were deemed eligible by nature of their reaching the minimum 174-point cut-off evaluated on an equal basis? Or was priority given to those institutions that had higher qualifying scores than others?

33. The new regulations for implementing the title III program provide a method whereby institutions that were ruled ineligible to compete could submit a narrative describing why they felt they should be determined to be a developing institution. Were there any institutions submitting such a narrative? What determinations were made in those specific cases? Who made those determinations?

34. In what ways has the Administration taken caution to protect Hispanic and Native American interests under the title III program. Although the Native Americans do have a few tribally controlled community colleges, Hispanic interests seem to be left out of consideration under the proposed program because there are no predominantly Hispanic institutions.

35. In their comments on the proposed regulations for the title III program, the National Advisory Council on Women's Educational Programs recommended that priority for funding be given to those institutions which show special efforts to overcome the historical disadvantage suffered by women in American education. What objection would the Administration have to incorporating this recommendation into the program's purpose?

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE ASSISTANT SECRETARY FOR EDUCATION
WASHINGTON, D.C. 20202

AUG 22 1979

Honorable William Ford
Chairman, Subcommittee on Postsecondary Education
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

During the recent hearings on the Administration's reauthorization proposals for the Title III, Strengthening Developing Institutions Program, subcommittee members raised a number of questions which I promised to answer for the record.

Attached is a summary report which responds to those questions. The responses to all the questions raised have been grouped by topic into five major categories:

- Ethnic Identity of Participating Institutions
- Junior and Community Colleges Participation
- Eligibility Requirements
- General Reauthorization Issues
- Program Statistics

I hope that the information provided is useful to you and the other sub-committee members as you pursue your deliberations on the reauthorization of Title III programs.

If I may be of any further assistance, do not hesitate to call on me.

Sincerely,

Mary F. Berry
Assistant Secretary
for Education

Attachment

Ethnic Identity of Participating Institutions

The Department is often called upon to account for support to Black, Native American and Hispanic institutions and there are many misconceptions surrounding our program activities in this area. To clarify these problems, we first need to examine the characteristics of such institutions.

Black institutions can be divided into two distinct groups:

First there are approximately 104 historically Black institutions that have a long and continuous history of providing postsecondary educational opportunities to Black high school graduates. Since the 1850's, these institutions have often been the sole source of educational opportunities for Black Americans, particularly those in the deep South.

A second set of institutions can be characterized as new predominantly Black institutions. These are institutions in which more than 50 percent of the student body is Black. We have identified forty-two such institutions which include 46 separate campuses.

There are also several types of institutions which serve Native American groups. Some, such as the Navajo Community College or the College of Ganado, definitely can be classified as Native American institutions. Others, while having a Native American clientele, require more careful distinction. There are approximately 16 new Native American Community Colleges which bear the name but are, in fact, extension centers of existing non-Indian institutions. These institutions are chartered as "community colleges" by their tribal councils. Yet, students must take their courses from the accredited "mother" campuses to be eligible for BEOG funds. In addition, course offerings that provide credit through the extension centers are also offered to all non-Indian students, thus diluting the pure Native-American nature of such schools. Finally, none of these 16 Native American Community Colleges meet accreditation requirements of the various regional accrediting associations. It should be noted, however, that the Title III statute permits the Commissioner to waive accreditation requirements for institutions that serve Indians.

Hispanic institutions are also difficult to characterize as a group. With the exception of institutions located in Puerto Rico, or those institutions that serve an almost exclusive Hispanic population such as New Mexico Highlands University or Boricua University (New York), the Office of Education has been forced to classify an institution as "Hispanic" based upon the number of enrolled students of Hispanic origin. One would hardly classify the University of Arizona, the University of Colorado or the University of California at San Diego as developing institutions or as Hispanic institutions. Nevertheless, these institutions do enroll substantial numbers of Hispanic students as compared to most other schools even though the actual percentage may seem small when compared to total school enrollment.

This explanation is given because too often the Office of Education is asked what Title III is "doing" for students of a particular ethnic or racial group. Title III is not a student assistance program. The Congress has authorized a number of other programs in the Higher Education Act that meet the needs of students, including the student financial assistance programs, the TRIO programs, and the Graduate and Professional Opportunities Program (GPOP). Title III is an institutional development program. In fact it is currently the only program under the Higher Education Act directed at institutional development and capacity building. It is our belief that when poor students--regardless of ethnic heritage or racial group--attend developing institutions in substantial numbers, the Title III program, by definition, should assist these institutions in improving the quality of their educational activities. This includes upgrading their curricula, their faculty and staff, and their administrative and fiscal management capabilities. In this manner an improved institution can better serve its clientele.

Consequently Black, Native American and Hispanic institutions qualify for program participation primarily on the basis of institutional characteristics. In the Office of Education's view, it would be a mistake to redirect Title III funds away from needy institutions to those that can only justify assistance on the basis of a substantial minority student enrollment.

Community and Junior College Participation

Of the 2,923 institutions reporting on the Higher Education General Information Survey (HEGIS), 941 are two-year institutions. Of these 941 institutions, 546 (58 percent) appear to meet the eligibility criteria for designation as developing institutions and, therefore, would be eligible to compete for Title III funds.

In the recent FY 1979 competition, 224 of these 546 two-year institutions, or 41 percent, applied for designation as a developing institution. Of the 224, 202 were determined eligible to compete for the $28.8 million set-aside for two-year colleges which is required by the statute. Awards were made to 174 institutions, or 86 percent of those eligible to compete for funds. In summary, while only 41 percent of the 546 institutions which are potentially eligible for Title III applied for funding, 86 percent of the eligible applicants were funded.

According to the National Center for Educational Statistics, these two-year institutions accounted for 3.9 million or 36 percent of the reported 11 million students enrolled in postsecondary education programs in 1978. In addition, these institutions serve a large number of low-income and minority students and often provide the only access to postsecondary educational opportunities for students living in areas of geographic isolation. However, we do not believe that these enrollment figures necessitate a reduction in the current allocation for four-year Title III institutions. Instead, the Administration has sought to support the expanded services provided by two-year as well as four-year colleges through an increase in authorized funds.

It is questionable if two-year institutions can ultimately meet the Administration's priorities of equalizing educational opportunities, reducing minority unemployment and increasing the number of minorities and females in professions in which they have been historically and traditionally underrepresented. This is especially true in the area of employment because significant numbers of two-year college graduates do not continue their education at four-year institutions. Thus, four-year colleges remain the principal source of minority and females applicants for graduate education.

In summary, the Office of Education believes that the current 24 percent set-aside of Title III funds for two-year institutions is entirely adequate to meet program needs. An 86 percent funding rate of applicants is, we believe, a very high percentage. In addition, we cannot ignore the quality of proposals. For example, out of a possible two hundred maximum points which 1979 applications could receive, we funded down to a score of 98 on the two-year slate. We believe that any score below that does not reflect a substantive proposal as viewed by our staff and the expert readers employed to assist in the evaluation process.

Eligibility Requirements for Program Participation

The legislation characterizes a developing institution as making "a reasonable effort to improve the quality of its teaching and administrative staffs and of its student services; and is, for financial or other reasons, struggling for survival and isolated from the main currents of academic life."

The Office of Education evaluated 43 specific factors as well as other related indices in an effort to select the most effective criteria for the identification of developing institutions.

The 43 indices listed in Table 1 (Program Statistics Section) include factors such as the number of books in the library, the Consumer Price Index, regional indices and budgets, student eligibility factors, and regionally adjusted income levels. Additional factors such as the institution's previous implementation of developmental plans and the academic preparation of the faculty were also considered.

Two factors, which could be independently verified, consistently selected a type of institution that the Department believes the Congress intended the program to serve. These two factors were: (1) average educational and general expenditures per full-time equivalent (FTE) student, and (2) average BEOG award per FTE undergraduate. These two factors together identified institutions which were economically constrained and those which are isolated from the mainstream of academic life i.e., serving a significant percentage of low-income students who could only pursue postsecondary educational opportunities at a local institution.

The results of the FY 1979 grant award process indicate that this revised eligibility system was effective. Of the 500 two-year and four-year institutions that applied under the new eligibility requirements, 474 or 93 percent were designated as developing institutions. Of these 474 institutions, 400 (84 percent) received funds, including a number of institutions that were "grandfathered" under the new regulations.

General Reauthorization Issues

- **Length of Participation in Program**

  The proposed legislation is designed to provide two types of awards: (1) a 1-3 year award for short-term objectives, and (2) substantial one-time only awards of up to seven years, which if accepted, would terminate the institution's participation in the program. A number of institutions that are participating in the former Advanced Institutional Development Program should be eligible for the terminal awards and these institutions will be encouraged to apply for this category of funding. A larger number of institutions will probably require long term assistance before termination from the program. However, we believe that many of these institutions will ultimately be ready for terminal awards.

- **Post-Award Monitoring Activities**

  The 1978 Regulations now require long-range institutional plans as a prerequisite for Title III assistance. For the most part, we have been pleased with the institutional responses in the FY 1979 applications.

  In order to monitor the implementation of these plans, the Office of Education has designed an expanded post-award monitoring system. This new system is currently being field-tested. We have also moved to identify a group of institutions that show definite signs of institutional instability, e.g., large drops in enrollment, an excess of expenditures over revenues, and/or excessive default rates on student financial assistance programs. We are developing plans for the establishment of a Higher Education Assistance Unit within the Bureau of Higher and Continuing Education to combine OE resources to provide immediate assistance to these institutions. It is also our intention to modify the grant awards so that once problems are identified we can redirect funds to specific activities which will improve the administrative and fiscal management of Title III grantees.

- Matching Grants Program

  The Office of Education has authorized a limited number of fund-development grants to aid institutions in the development of fund-replacement strategies. The new proposed matching grants program is an outgrowth of these activities and is based on the differing needs of developing institutions. Matching grants can be of enormous assistance to those developing institutions that are capable of attracting funds from private donors, the local community, State legislatures, and other sources beyond the Federal Government. Applicants for these Challenge Grants need not apply or have participated in the regular Title III program. They would, of course, have to establish their Title III eligibility.

- Cooperative Arrangements

  The Department believes that the consortia and assisting agency arrangements currently used in the Title III program may be useful for some institutions. However, we also believe that institutions should not be required to enter into these cooperative arrangements. Instead, an institution should have the opportunity to choose the most appropriate means to achieve its developmental objectives. Some activities may require only released faculty time or contracting with an individual consultant.

  The Department's view regarding cooperative arrangements, which was reflected in the Administration's reauthorization proposal to eliminate this statutory requirement was underscored in the Conference Report on the FY 1980 Labor-HEW appropriations bill. The Conference Report deducted $10 million from the Title III appropriation because these funds were not being utilized directly by Title III institutions.

Program Statistics

Table 1

List of Factors Measuring Institutional Status

The following is a listing of the possible measures examined in an effort to select the most effective criteria for the identification of developing institutions:

-- FTE Enrollment (2-year and 4-year schools)

-- FTE Faculty

-- Number of Graduates (Baccalaureate or Associate Arts)

-- Number of Ph.D's

-- Percentage of Ph.D's

-- Professor's Salary

-- Instructor's Salary (4-year schools only)

-- Average Salary (2-year schools only)

-- Percent going to Graduate School (to 4-year schools for 2-year colleges)

-- Percent completing the first year

-- Ratio of Baccalaureates or AA's produced to total enrollment

-- Number of Low-Income Students

-- Percentage of Low-Income Students in total enrollment (headcount)

-- Percentage of Low-Income Students on Financial Aid

-- Number of Minority Students

-- Percentage of Minority Students (headcount)

-- Per-Capita Student Aid income per low-income student

-- Educational and General Total Expenditures

-- Per-Capita E&G Expenditures per FTE Student

-- Per-Capita Library Volumes per FTE Student

-- Total Library volumes

-- Percent from Endowment Earnings

-- Percent from Gifts and Grants

-- Amount from Endowment Earnings

-- Amount from Gifts and Grants

-- Total Endowment Fund

Table 1 (continued)

List of Factors Measuring Institutional Status

-- Percent from State and Local
-- Amount from State and Local
-- Per-Capita from State and Local
-- Percent from Federal Sources
-- Amount from Federal Sources
-- Percent (Sources not defined)
-- Amount (Sources not defined)

Other criteria reviewed are discussed below:

-- OE studied use of the Consumer Price Index (CPI) to adjust for regional factors but found that the CPI has no relevance as an across-region measure of cost of living.

-- The Bureau of Labor Statistic's Urban Family Budgets for Selected Urban Areas relates only to selected urban areas, not all urban areas and not non-urban areas. Furthermore, the household budget data do not accurately portray the cost of operating an educational institution.

-- Regional indexes and budgets do not take into account differences between areas within regions, for example between New York City and upstate New York. It also is not clear that faculty salaries, the largest part of E&G expenditures, would be higher in all high-cost areas or lower in low-cost areas.

-- OE also studied regional cost differences in Basic Grants and found that a student from a low-income region attending a higher-cost institution would have higher living costs and, thus, be entitled to a larger size BEOG award.

-- The inverse of the Student Eligibility Index (SEI) proves to be almost perfectly correlated with the BEOG award. This is reasonable because: The higher the SEI, the lower the BEOG award.

Table 1 (continued)

List of Factors Measuring Institutional Status

-- Using income levels or regionally adjusted income levels proved not to be feasible, since income levels do not take into account family size, amount of assets, and other indicators of need already calculated in BEOGs.

-- Different student financial aid data did not prove useful: SEOGs are too limited in terms of the number of eligible students. NDSL and CWS grants are less need-based than BEOGs. Many middle-income students qualify for those programs. In 1980 there will be no income limitation on Guaranteed Student Loans.

-- OE also considered, as one alternative measure, the average unconstrained BEOG per FTE undergraduate to determine whether the BEOG "half cost rule" affected institutions' scores in the Title III BEOG points scheme. The analyses showed the unconstrained BEOG and the actual BEOG to be almost perfectly correlated overall and when scores are compared within type and control considerations.

-- An institution can easily determine its BEOG disbursements. SEI or unconstrained BEOG awards could be used, but they would virtually yield the same results while being more difficult for the institution to report.

-- Some of the suggested criteria are not quantifiable and, therefore, impossible to index. These include academic preparation of the faculty, past performance of future plans of the institution, the institution's background, or effectiveness of management procedures.

Table 2

AVERAGE AWARD AMOUNTS FY 1973-1978

ADVANCED INSTITUTIONAL DEVELOPMENT PROGRAM

(Dollars in Thousands)	1973	1974	1975	1976	1977	1978	Cumulative Average
Obligations	$35,500	$48,000	$58,000	$58,000	$58,000	$68,000	$325,500
Number of Institutions Funded	28	36	61	32	89	54	300
Average Awards Including Bilaterals	$1,267.9	$1,333.3	$950.8	$1,812.5	$651.7	$1,259.3	$1,069.2

RANGE: Low: $651,000 in 1977 **High:** $1,812,500 in 1976

BASIC INSTITUTIONAL DEVELOPMENT PROGRAM

(Dollars in Thousands)	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	Cumulative Average
Obligations	$5,000	$30,000	$30,000	$30,000	$30,000	$33,850	$51,850	$51,850	$51,992	$52,000	$52,000	$52,476	$52,000	$523,018
Number of Grants	127	411	220	229	227	198	226	235	215	207	203	190	238	2,926
Average Award	$39.4	$73.0	$136.4	$131.0	$132.2	$171.0	$229.4	$220,6	$241.8	$251.2	$256.2	$276.2	$218.5	$178.8

RANGE: Low: $39.4 in 1966 **High:** $276,200 in 1977

Table 3

INSTITUTIONAL DEVELOPMENT PROGRAM - FY 1978 GRANTEES

Number of Institutions	Number of Years in the Program
24	13
27	12
16	11
15	10
11	9
17	8
13	7
16	6
18	5
18	4
15	3
12	2
90	1
292	Total

REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND OTHER RELATED MEASURES

Part 8—Administration Proposal

THURSDAY, JULY 26, 1979

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:45 a.m., in room 2261, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Simon, Weiss, Bailey, Buchanan, Jeffords, and Tauke.

Staff present: Thomas R. Wolanin, staff director; Patricia F. Rissler, deputy staff director; William C. Clohan, minority assistant education counsel; and Jennifer W. Vance, minority legislative associate.

Mr. Ford. The Subcommittee on Postsecondary Education will come to order for the purpose of continuing our hearings on the reauthorization of the Higher Education Act and related measures.

The hearing today will continue our discussion of those features of the administration's reauthorization proposal that represent the most significant departures from current law.

Today, we will be considering the administration's recommendations on a constellation of issues dealing with the administration and management of student financial aid programs and allocation of student aid funds to students, States and institutions.

The administration is proposing: a packaging framework for student financial aid; a single student aid application form; a single needs-analysis system; a new formula for State-matching in the State Student Incentive Grant Program, the elimination of the initial year-continuing year distinction in the Supplemental Educational Opportunity Grant Program, permitting institutions to carry over as much as 5 percent of their SEOG and College Work Study funds and new administrative allowance.

These and related issues will be the focus of this morning's hearings, which will follow the format that we have set up for consideration of the administration's proposals with a panel of people representing interest groups that have special concern for these particular portions of the administration's proposal as well as representatives of the administration who will be here to respond.

I might at this time note that we have now filled out the schedule for the balance of July as follows: Next Tuesday, July 31, we will have a hearing similar to the format of this morning's hearing, talking about grants.

On Wednesday, August 1, the hearing will deal with loans; and Thursday, August 2, the hearing will deal with loans, and at that time we expect also to have Senator Kennedy, who is going to present the committee the so-called Kennedy-Bellmon loan proposal.

Friday, August 3, will be an additional hearing on loans in Oshkosh, Wis., and we will then try to conclude additional hearings—with the one that Mr. Jeffords is arranging in Vermont and one or two others during the month of August. The Washington hearings on reauthorization, we hope, will be concluded at the end of the hearing next Thursday.

With that, I would like to call on a panel consisting of Tom Butts and Peter Voigt, from the bureau of student financial assistance in the Office of Education; Lois Rice, vice president, College Entrance Examination Board; Joel Packer, U.S. student association; Ken Reeher, National Association of State grant programs; and Constance L. White, director of undergraduate financial aid, and coordinator of university financial aid, Yale University, New Haven, Conn., who is appearing this morning for the National Association of Student Financial Aid Administrators.

I might observe that Dallas Martin now has his team built about 10 deep because every hearing has one of his heavy hitters, and they keep changing on us. They are getting better looking all the time.

I think I will leave it to you, Peter. Do you want to discuss your statement first, or let the panel go and then respond with your statement?

STATEMENT OF TOM BUTTS, PETER VOIGT, BUREAU OF STUDENT FINANCIAL ASSISTANCE, OFFICE OF EDUCATION; LOIS RICE, VICE PRESIDENT, COLLEGE ENTRANCE EXAMINATION BOARD; JOEL PACKER, U.S. STUDENT ASSOCIATION; KENNETH R. REEHER, NATIONAL ASSOCIATION OF STATE GRANT PROGRAMS; CONSTANCE L. WHITE, DIRECTOR, UNDERGRADUATE FINANCIAL AID AND COORDINATOR OF UNIVERSITY, FINANCIAL AID, YALE UNIVERSITY, NEW HAVEN, CONN., ACCOMPANIED BY DALLAS MARTIN, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. Voigt. Mr. Chairman, I have a statement I would like to submit for the record.

Mr. Ford. Without objection, the statements submitted by the members of the panel for the record will be inserted in full in the record, and we will start with Mr. Peter Voigt from the Office of Education, who may highlight his comments or add to it as you see fit.

[The prepared statement of Mr. Voigt follows:]

PREPARED TESTIMONY OF PETER K. U. VOIGT, ACTING DEPUTY COMMISSIONER, BUREAU OF STUDENT FINANCIAL ASSISTANCE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY WILLIAM A. BLAKEY, DEPUTY ASSISTANT SECRETARY FOR LEGISLATION (EDUCATION)

Mr. Chairman:

My colleagues and I appreciate the opportunity to participate in today's discussion of the Administration's student financial aid reauthorization proposals. While the format of today's hearings is somewhat unique, we agree that this is an excellent approach to take. We hope that this forum will provide you and the other members of this subcommittee with the information you need to finalize the reauthorization package in the time-frame you have set out.

Before we open the discussion, I would like to comment on a few of the major proposals offered by the Administration.

Single Form/Single Need Analysis System

As you are very much aware, we have been working on a simplified form for students and parents to use to apply for Federal student aid funds. We are pleased to report that after much consultation and neogitation with representatives from all sectors of the student aid community, we have finalized a simplified form to be used in 1980-81. This form will be used by the Basic Grant program and all agencies participating in multiple data entry.

While this step is a major breakthrough in simplifying and rationalizing the student aid delivery system, it is not enough. We are proposing that the use of a single application form be required for all Federal need-based programs and that this form be processed at no cost to the student.

Somehow it doesn't seem right that students have to pay to find out that they qualify for Federal benefits.

We are also proposing that a single need analysis formula be used for all Federal need-based aid. Part of the massive confusion experienced by students and parents results from the fact that they get different expectations of family contribution depending on the progams they wish to participate in or the schools they want to attend.

This proposal is another part of our efforts to simplify and rationalize the student aid delivery process.

Packaging

Our packaging framework proposal is very simple and yet still maintains the flexibility of the financial aid administrator to provide each student with the resources necessary to meet his or her specific needs. Basically we are calling for three things:

1. Basic Grants should be the foundation of any students' aid package.
2. Loan burden should be minimized; and

3. In order to be eligible for a Basic Loan, students' aid packages must include a $700 self-help component.

These three elements constitute our packaging framework. We are not proposing to require financial aid administrators to develop aid packages in any rigid manner which ignores the individual student's particular situation. We are not proposing a requirement that all student aid packages must consist of specified percentages of grants, work, or loan aid. We firmly believe that the development of aid packages is best handled at the institutional level by those professional aid administrators who are aware of the specific needs of students.

However, we believe that this framework is necessary to ensure that students are treated in as equitable and consistent manner as possible regardless of where they go to school.

Standards of Academic Progress

We have proposed a minimum standard for satisfactory academic progress because we believe that the investment of Federal dollars should be used to educate people and not to support them during the years they happen to be enrolled in school.

The standard we are proposing is not an onerous one nor is it so strict as to ignore the very legitimate difficulties which could confront even the most dedicated student.

However, we are aware of a number of cases where institutions have estalished standards so lax as to be meaningless. The General Accounting Office (GAO) discussed some of these problems in its report "Inconsistencies in Awarding Federal Financial Aid to Students Under Four Federal Programs" (May 11, 1979). In fact, GAO recommended that the Congress establish minimal standards much more stringent than the one we have proposed. We too have discovered evidence that some institutions have standards designed to ensure that students stay enrolled and eligible for the singular prupose of continued receipt of the financial aid funds generated by these students. For example, we know of one school which has set a fairly reasonable standard but allows students to drop classes, without penalty, as late as the last day of the academic year. The basis then for determining the students' academic progress is adjusted to ignore those dropped classes.

Obviously, the majority of schools have much more stringent standards than the one we are proposing and our proposal has no impact on these schools at all.

However, we belive that all schools must establish and maintain such standards in order to maintain the integrity of these programs.

If our proposal is adopted we would monitor schools' compliance through our regular program review activities.

Determining Costs of Education

We have proposed legislation which allows us to set up procedures that institutions must use to establish off-campus living costs for students under all of the need-based programs except Basic Grants.

Again, the findings of the recent GAO report showed that different schools, using different methods, had widely divergent off-campus living costs which resulted in vastly different aid awards going to students in the same economic situation living in the same city. GAO was disturbed about these findings and recommended that we develop standard costs to be used by every institution. We disagree with that approach and our proosal ensures that all schools would at least use the same basis for determining off-campus living costs. Let me assure you that our proposal allows every institution to set its own reasonable costs. We are not proposing to regulate either the components of a student's budget or the level of each budget item.

What we are proposing is that we have the authority to set out the procedures schools must use to establish the level of these costs.

Of course, we will continue to maintain the discretion of the financial aid administrator to make those adjustments necessary to accommodate individual student circumstances.

Definition of Independent Student

The definition of independent student is an area that has resulted in much controversy over the years. We are proposing a new definition which we feel is simple, equitable, and verifiable.

As you know the current definition has three criteria which must be met over a three year period. These are:

- Has the student been claimed on his or her parents' Federal income tax form for any one of the three years.
- Has the student lived with his or her parents for six weeks during any one of the three years.
- Has the student received more than $750 in support from his or her parents during any one of the three years.

The latter two of these criteria are unverifiable and unenforceable. Therefore, they are virtually meaningless.

Through our proposal we would be able to reconfirm the responsibility of the parents to pay for the education of their children to the extent they are able and use verifiable criteria for determining the dpenedency status of students.

Of course, we also will maintain the flexibility of the financial aid administrator to waive part or all of the parental contribution in those cases where such adjustments ar warranted.

State Student Incentive Grants (SSIG)

We are proposing that the current matching of "old" State funds be phased out. The goal is that Federal dollars be matched only with new State dollars.

During the phase-in period new State dollars would be matched 100 percent the first year they are allocated while old State dollars would be matched on a declining rate. The first year new funds would be matched 100 percent and old funds matched at 80 percent. In the second year new funds would be matched at 100 percent and old funds matched at 60 percent. By the fifth year only new funds would be eligible for the Federal match.

As you may know, some States with mature scholarship programs increased their scholarship expenditures at a rapid rate and now need incentives to continue to increase their expenditures (rather than be tempted to retrench to a level which barely meets maintenance effort requirements). At the same time, about 20 States have established wholly new scholarship programs in order to qualify for SSIG funds; most of these States have barely been able to increase their State expenditures fast enough to qualify for their SSIG allotments. Four States with mature scholarship programs (New York, Pennsylvania, California, and Illinois) together account for more than 60 percent of all State scholarships whereas 30 States with newer and less advantaged program depend primarily upon SSIG and State matching and account for only 5 percent of the Nation's total State scholarships. The proposal is designed to particularly aid these newer States.

These are, we belive, the most significant changes we are proposing. We will be pleased to respond to any questions you might have.

STATEMENT OF PETER VOIGT, BUREAU OF STUDENT FINANCIAL ASSISTANCE, OFFICE OF EDUCATION

Mr. VOIGT. Thank you, Mr. Chairman. I would like to summarize some of the major proposals we are discussing this morning. With very few exceptions these proposals are designed to make the program more simple, more easy to understand and more effective, both in terms of students and parents, as well as the institutions that have to administer these currently extremely complicated programs.

The proposals basically fall into two major categories. One is simplification, and the other to insure the integrity of the programs so we maintain public confidence in them and can continue the current high level of funding in the future.

We are proposing a single need-analysis system and a single form. We believe that this will reduce confusion indeed for both students and parents, make the application process considerably easier for students, and insure that there is one single figure for family contribution. A critical part of the proposal is to insure that the recipients of these programs do not have to pay to determine their eligibility.

As far as I know, the student financial aid programs are the only major Federal social programs, where the recipients have to pay to determine whether they are eligible or not. And we think as public policy that should be a cost borne by the Federal Government.

The second major set of proposals deals with our packaging philosophy. Here we are proposing to continue the Basic Grants as the foundation for student financial aid package for the students. We also believe that the loan burden on the student should be minimized and that a self-help expectation of $700 should be expected by each student. We are obviously not proposing a very strict and rigid packaging policy. We believe that the financial aid officer is in the best position to determine the individual needs of students and under these proposals, has the right to waive and substitute. However, as a philosophy, we think that this proposal should be in the legislation and should be followed.

Third, we are proposing the implementation of standards of academic progress. Many schools do have such standards and we do not believe that the standards that we are proposing are particularly onerous. However, some institutions do not have very strict standards. We believe that these programs are designed to educate people, and we think that this measure would indeed go a long way in helping to achieve that.

Finally, we are proposing to set up procedures with the financial aid community for determining cost of education for students for non-institutional charges. At the moment, there is a great deal of difference among institutions in the way that such charges are determined, and we are proposing to establish procedures which again can be waived at the discretion of the aid office in a particular circumstance, which institutions would use to determine cost of education so that students going to different institutions but having the same costs would, in effect, end up with the same awards.

As I indicated earlier, these proposals are designed to simplify the program, to make them more effective and more understandable for the recipients.

I would be happy to answer any further questions or to respond to the panel members at this point.

Mr. **Ford**. Lois?

STATEMENT OF LOIS RICE, VICE PRESIDENT, COLLEGE ENTRANCE EXAMINATION BOARD

Ms. **Rice**. Mr. Chairman, and members of the subcommittee. I am Lois D. Rice, a vice president of the college board, and with me is Robert Kates, vice president of our college scholarship service, Mr. Kates can respond to any technical questions that you may have.

I am delighted to respond to your invitation to participate in this hearing on the administration's higher education reauthorization proposals, but I must make the usual disclaimer, for it was just 1 week ago today that the administration, in a moving and dramatic hearing, made its recommendations public, and obviously we have not been able to go through a consultative process with the college board and college scholarship service membership in such a short time. So my comments today must be taken as preliminary, and as a forecast of our likely position after full analysis and deliberation on the proposals described so ably last week by Assistant Secretary Bohen on July 19.

You asked the college board to focus this morning on the administration's recommendations for changes in the delivery of title IV student aid, and in particular on the proposals that Congress mandate—one, a single student aid application form, to be processed at no cost to the applicant, and two, the use of a single needs analysis system for all Federal need-based student aid programs.

The proposals have great surface appeal that is compelling, for their enactment ostensibly would reduce the paperwork burden on students and their families, would end the current situation in which a poverty stricken applicant must pay for a certification of eligibility for student aid, and would mean uniform expected contributions from families in like circumstances instead of the disparate expectations now possible.

But it is our view that the proposals would increase rather than decrease the amount of paperwork, that it would be an extravagant misuse of Federal funds if the Government were to provide a free needs analysis to all applicants, and that the only reason more than one needs analysis system now may be used is that the U.S. Commissioner of Education has sanctioned the use of several, a situation that needs no law for its correction but simply a different decision in the executive branch.

Before going into the detailed reasons for our views, I want to describe the present situation, and the role the college board plays in it.

The Federal Government now runs just one need-based student aid program—that for Basic Educational Opportunity Grants or BEOG's. BEOG applicants may use a form furnished by the Federal Government, or they may apply on forms furnished by the American college testing service (ACT) or the college scholarship service (CSS) of the college board—or by the Pennsylvania Higher Education Assistance Agency (PHEAA). The ACT, CSS and PHEAA application forms all contain the same items as the Federal form, and all contain additional questions that need be answered only if the applicant is seeking aid from sources other than BEOG.

In the school year just ended, there were about 3.8 million BEOG applicants, of whom 53 percent applied through college scholarship service, 4 percent through the Pennsylvania Higher Education Assistance Agency, 18 percent through ACT, and 25 percent used the Federal form.

The other Federal need-based student aid programs are all administered by financial aid officers at the campuses of educational institutions. The CSS form is accepted at about 4,500 of those campuses and used to determine eligibility not only for the Federal programs, but for student aid funds from the institution as well.

In addition to the Basic Grant, and campus-based Federal programs, there are student grants now available in every one of the 50 States. Students in 30 of those States can use the CSS form in applying for a State award. In 15 other States they may use the ACT form, which contains the same items as the CSS, but is a different form for computer technological reasons, and in 5 States, some other form is prescribed by the State.

All in all, CSS processed about 2.6 million aid applications during this academic year—just more than 60 percent of the grand total for the entire country. The form those applicants filed with CSS was the only form they had to fill out in order to determine their eligibility for a BEOG, for a campus-based Federal aid program, for an institutional award, for a State grant in 30 different States, and for funds from local and private sources.

The point I want to emphasize is that a majority of student aid applicants already have available to them, and in fact use, a single application form, suitable for all kinds of aid, whether from the Federal Government, their college, or their State. The minority who must fill out two or more forms instead of just one are in that position because the States in which they live insist upon a separate form, or because the college to which they have applied is among the handful that does not accept the CSS form or the ACT form.

Given this background, what is the likely result if you accept the administration's invitation to order by law that which it claims power now to require by regulation, namely, the mandatory use of a Federal form to apply for a BEOG or a campus-based Federal award? The applicants in 15 States would still have to fill out the ACT form, which is the same as the CSS, but with differences. It is a virtual certainty that at least some of the 30 States that now use the common CSS form, including California, Michigan, Massachusetts, Georgia, Rhode Island, Missouri, and Oklahoma would want more information than the mandated Federal form contained, so that in those States the mandate would double rather than reduce the paperwork. It is also a virtual certainty that New York with the Nation's largest State scholarship program would continue to require far less information on its form than on any current or proposed Federal form. Finally, it is not a virtual certainty, but rather an absolute certainty, that a great many institutions would require families of aid applicants to provide greater financial detail than that appearing on the Federal form, once again having two applications do the work now performed by one. The administration testified to you last week that:

> While the use of [a] single form for Federal programs clearly falls within the scope of HEW's administrative authority, we recommend that the Congress insure the continuation of [a] single form in future years by mandating its use in the statute.

For the reasons I have outlined above, the college board urges Congress to reject the administration's invitation to rush in where the Office of Education fears to tread. There is work to be done in simplifying the whole process of making financial aid determinations, but mandating a Federal application form would defeat rather than serve that goal.

Turning now to the question of whether the Federal Government, not the applicant, should bear the cost of processing a financial aid application, I want to share some statistics with you.

For 1978-79, about 35 percent of the dependent students filing the CSS form came from families with incomes under $12,000. Another 30 percent fell between $12,000 and $20,000, and nearly 35 percent were above $20,000. The fee charged each applicant was $4.50. That fee paid not only for processing 2.6 million applications;

it also paid for a wide range of research, training, publications and information services performed by CSS. Many of you are, familiar for example with the CSS information booklet entitled "Meeting College Costs," which is distributed free every year to millions of students and their families.

Undoubtedly there were some CSS applicants for whom the payment of $4.50 was a hard matter, but for most it was not. The average parental contribution determined for the 73 percent of CSS filers who were dependents was $1,278, and the average contribution for the 27 percent who were independent was $4,337. It would be an absurdity to declare, on the one hand, that a family should be able to put up $1,278 toward college costs and, on the other, that paying a $4.50 fee to CSS is a hardship.

We would be pleased to work with the Congress and the administration to develop a method (similar to our own test fee waiver policy) for the Federal Government to assume the processing costs for those applicants who are truly up against it, but it would be a mistake, in our view, for the Government to relieve every applicant of any charge, when all but a few can easily afford the modest sums that are typically asked of filers. Furthermore, we are proud of all the information and training and other services CSS provides to students and their parents, to educational institutions, to the States and the Federal Government, and to others. We do not want to have to negotiate with the U.S. Commissioner of Education on whether and at what level we can provide those services, yet that would be the necessary result if the Federal Government assumed the role of payor for processing aid applications filed with CSS.

Last, there is the issue of having a single needs analysis system. Under current law, BEOG's are calculated under one system, while the family contribution to be used in determining eligibility for the campus-based programs may be calculated under any system approved by the Commissioner. Since he has given campuses a choice among the BEOG system, the uniform methodology or anything coming close to either of them, there is at least the potential for inconsistency and confusion.

The problem could be resolved tomorrow by an administrative pen-stroke if the Commissioner were by regulation to require use of the uniform methodology in the campus-based programs, the methodololgy that most of the approved systems and institutions now use.

The inconsistency and confusion do not arise because there is one schedule for BEOG's and another for the campus-based awards; they arise only because multiple systems are permitted for the latter.

The problem could also be solved if the BEOG system were mandated by the Commissioner for the campuses. But the administration evidently does not wish to do that, for the reason that the BEOG system is not in truth a system. It is a legislated device for rationing BEOG funds, but when applied to other aid programs is too harsh in its expectations for contributions from families below the median income and too lenient for those above. I would like to call your attention, Mr. Chairman and members of the subcommittee, to the table attached to my testimony that shows the differences between the BEOG schedule and the uniform methodology.

The administration did not explain last week why it chooses not to mandate the uniform methodology for the campus-based programs, but the apparent reason is that the uniform methodology is not subject to direct Federal control. Instead, it is the product of a consensus among financial aid administrators, CSS, ACT, State agencies and others, including officials of the Office of Education. While no one voices serious criticisms of the results produced by using the uniform methodology, it is a fact that it has no political legitimacy, no stamp of approval from those who vote the funds awarded by reason of its use.

But the problem of legitimacy—if it is of sufficient dimension to warrant action by this Congress, and in our view it is not—is quite different from the problems of inconsistency and confusion mentioned by the administration a week ago. The latter can be cured easily and promptly, without any action at all by the Congress. As to the former, we think it best to withhold comment until the administration completes its legislative proposals.

I thank you, Mr. Chairman.

[The table referred to above follows:]

Comparison of BEOG and Unfiorm Methodology

Average Expected Parental Contributions for Dependent Students

1979-80

Total Income	Uniform Methodology	BEOG SEI	Dollar Difference Between Uniform Methodology & BEOG
0 - 4,000	$ 0	$ 32	32
4,000 - 6,000	0	63	63
6,000 - 8,000	0	114	114
8,000 - 10,000	0	267	267
10,000 - 12,000	29	380	351
12,000 - 14,000	241	549	308
14,000 - 16,000	524	677	153
16,000 - 18,000	754	850	96
18,000 - 20,000	1,032	1,001	-31
20,000 - 22,000	1,373	1,179	-194
22,000 - 24,000	1,697	1,334	-363
24,000 - 26,000	2,008	1,433	-575
26,000 - 28,000	2,500	1,668	-832
28,000 - 30,000	2,878	1,801	-1,077
30,000+	5,852	2,780	-3,072

Source: College Scholarship Service of the College Board. Simulations based on 10,000 random cases of dependent student CSS filers.

NOTE: BEOG Schedule demands a greater parental contribution up to about $18,000 family income, and a lesser one than the Uniform Methodology for all higher incomes.

Mr. FORD. Joel Packer?

STATEMENT OF JOEL PACKER, U.S. STUDENT ASSOCIATION

Mr. PACKER. Thank you, Mr. Chairman.

Just before getting into the topic of the hearing today, financial aid needs analysis, I want to share with you some overall reactions that we have to the administration's financial aid proposals in total. As is the college board, we are still studying the legislation in detail, and we will try to have a more complete analysis available next week, but from our preliminary reading of it, there are several themes we see running through the administration proposal, each of which we believe runs counter to the best interests of students and higher education.

First, the legislation negates almost every aspect of the Middle Income Student Assistance Act, MISAA, which was signed into law only last year. The administration would eliminate the minimum funding threshholds or triggers for the three campus-based programs, SEOG, College Work Study, and NDSL, which would itself be eliminated completely. MISAA increased the triggers for CWS and SEOG to respectively $500 million and $370 million. The triggers have and still do work this current year to insure adequate levels of appropriations for these programs.

The administration further undermines MISAA by abolishing for all students the interest subsidies for what is now the Guaranteed Student Loan program, which would become the supplemental loan program. Even in the proposed basic loan program, graduate students would have to pay interest on their loans while in school.

The other major provision of MISAA that the administration would eliminate is the 10.5-percent assessment rate on discretionary income in the determination of a Basic Grant award, which now insures that students from families with incomes up to $25,000 receive a BEOG.

Mr. Chairman, USSA and other student groups struggled long and hard to aid you, the other members of this subcommittee, and Senator Pell and his colleagues, in passing this landmark legislation. We are shocked and dismayed that the administration is doing a 180-degree turn or some other strange contortion on this matter.

Not only is it bad politics, it is unjust to take away from low- and middle-income students what they are just now starting to receive. Since tuition tax credits isn't a major threat this year, maybe the President feels he can renege on his commitments to reduce the burden of financial hardship faced by students in paying for college costs, without any political heat. We hope you will recognize this and act quickly to put out the fire before the heat starts.

The second theme that struck me, and one that flows from the first, is the shifting or apparent shifting of college costs away from the Government and onto the student and his/her family. Basic Grants is not increased. The half-cost limitation remains unchanged. No further improvements in the treatment of independent students with dependents are proposed.

What is recommended is a giant leap in interest rates on loans, in the case of NDSL more than a doubling. As mentioned, the triggers are dropped. A new ludicrous and outrageous definition of independent students is proposed that would ban anyone under 23 years of age from becoming independent unless they were married. We thought age discrimination was illegal. Social security and VA benefits will result in a major reduction of BEOG for students who receive those benefits. A new self-help provision of $700 is established for eligibility for the need-based loan. We always thought a loan was self-help, but the administration seems to say that a needy student must first take out a supplemental loan at 10 percent interest with no in-school interest subsidy before they can get a loan at 7-percent interest.

Mr. Chairman, surely we haven't reached the stage where every student is getting all the grant aid they need. Surely there are low-income persons unable to attend college at all because of lack of financial resources. Surely there are students struggling to keep pace with the ravages of inflation that affect college costs. And, therefore, surely the administration's proposals can only lead to a retreat from the progress we have made over the last 15 years and result in more students and their families collapsing under the burden of an increased share of college costs. Equal access to higher education, so important to our entire society, cannot be built on this proposal.

The third theme that strikes me is the attempt of the administration to centralize all aspects of the aid system. Now, USSA has never been an organization that has shied away from calling for Government involvement when necessary. However, their proposal which would give HEW complete control over the financial aid forms, the needs analysis system, the allowable off-campus living costs, and standards of academic progress, and other items, worries us quite deeply.

Once both sides of the financial equation, allowable costs and financial need determination are in the hands of HEW, or as we know will be the case, OMB, I can guarantee these costs and formulas will be manipulated to meet not student needs, but budget-balancing needs.

With those themes in mind—as I said, we will comment in more detail next week—let me turn to the specific aspects of needs analysis, and this is actually part of the proposal that we think is pretty good.

First, USSA strongly supports the proposal for a single form that will be processed at no fee to the student. This is an idea that we have been working on for years. We also have worked closely with OE in the development of the new common form that will be utilized for the 1980-81 processing year. While we have some concerns about the timing of the implementation of the form, we feel overall it is a great improvement over the current forms.

While we agree with the administration's proposal here, there are several questions that we have. First of all, while the appendix to the Secretary's testimony mentions that the Federal Government would pay for the costs of processing, it is not in the bill, nor for that matter is the mandated single form, itself, mentioned in the actual legislation, but I am informed that will be sent up when the revised legislation is submitted to your committee in the near future.

It is also unclear who will process this form, and it is important because the form is only one aspect of the overall system. Currently we have in place a system called multiple data entry, whereby a student can file an application with one of the private processors, either the American college testing program or the college scholarship service, or utilize the basic grant form and file it directly with the Federal Government through what is known as the prime contractor, which is also currently ACT. However, if a student has to make corrections after he or she receives his or her student eligibility report, he or she must deal with the prime contractor, and not the processing agency he or she originally filed with.

USSA believes this system is inherently confusing to students and not only results in unnecessary delays in students receiving awards, but results in some students never getting through the system and thereby not going to school.

There seems to be two solutions to this problem. One is for the Government to have a single processor for all forms. We would not recommend this because a system this large with 5 or 6 million applicants, cannot rely on one processor. If something goes wrong, all students will suffer.

We would urge and we have previously submitted legislative language to you that would establish a decentralized system. Our proposal would accomplish the following: First, authorize in law the establishment of a common form for all need-based Federal student aid programs.

Second, our proposal authorizes the Commissioner or Secretary, or whoever will be in charge over there when this is all finalized, to contract with private processors, as well as States, to process this form. We strongly feel that one way to simplify the system is to allow all processors complete edit, correction, and printing of output document functions. This would reduce the number of agencies a student must deal with to one. The person who fills out a form would only have to deal with any one aid agency along his cycle of corrections that he or she might have to file.

The third thing our proposal would do is mandate this form, which we hope will be the only one necessary for the majority of students, be processed at no fee to the student.

Fourth, our proposal provides that reimbursement to the processors include reasonable costs for the monitoring of the quality of financial aid services, information dissemination, training and counseling, and research and development activities.

Fifth, our proposal allows for a supplemental form. We believe that the core form can be the sole document for most students. However, we must recognize the fact that there are certain institutions which will require more data. The supplement should be coordinated with the core form.

Last, our proposal would mandate consumer input in the design, implementation, and evaluation of the system.

This proposal was endorsed by the 60 students at the OE-funded Second Student Commissioner Conference on Financial Aid.

Other questions that we have about the administration's proposal concern the role of States and where supplemental forms fit in the system.

The other major part of the administration proposal is to develop a single needs-analysis system to replace the two major ones we have now—the basic grant family contribution schedule and the uniform methodology.

These two systems are developed in different ways. The Basic Grant family contribution schedule is promulgated each year by HEW, submitted to Congress by July 1, and takes effect automatically unless it is disapproved by either the House or the Senate.

With the uniform methodology, CSS and ACT, both make certain revisions each year in the formula. Any differences they have in the specific revisions are resolved by a group called the Coalition for Coordination of Student Aid, an unofficial voluntary group with representatives of financial aid administrators, State scholarship programs, financial aid processing services, college admission counselors, the colleges themselves, and students. The coalition is basically a continuation of the Keppel Task Force on student aid problems.

While the idea of one needs-analysis formula is somewhat appealing, again here many questions remain. There are differences, as Lois pointed out, between the outcomes derived from the FCS and the uniform methodology.

Traditionally, the BEOG system has been more stringent than the UM, producing higher expected family contributions and therefore lower need. With the passage of MISAA the reverse is now true, particularly at higher incomes.

There are also questions as to whether the two systems serve the same functions. The BEOG family contribution schedule is more of an eligibility system determining the student's right to a national formula driven program. The uniform methodology is supposed to be a more sensitive analysis of financial need of the family.

What is clear is that both systems are not the scientific, precise financial measurements that they purport to be, but rather both systems are political rationing systems that determine who is eligible to compete for inadequate student aid dollars.

It is really hard to fully respond to the proposal without seeing what the new formula may be. This formula and its derived measure of family contributions is of the utmost importance for it determines need—who gets money and who doesn't.

We would recommend that rather than entrusting HEW with determining this all on their own, that the Congress authorize a Commission on Needs Analysis. The Commission which would be composed of students, aid officers, State grant representatives, representatives from the private processors, and college admission counselors, would be charged with devising the needs analysis system which would then be subject to congressional review before it takes effect.

Such a system insures that the financial aid community, including students, have real input into the system and are not just "consulted" by HEW. It also brings the whole system under public scrutiny by the congressional review. From our reading of the language the administration submitted, it seems to us their proposal would definitely weaken student involvement in the system. Both CSS and ACT, as well as the coalition, involve students in fairly detailed manners in the determination of their system. This involvement, which was strongly endorsed by the Keppel Task Force, would be lost if the administration's suggestion becomes law.

Also, the language in the bill sent to you seems to seriously weaken the congressional review process. I suggest a careful reading of the language in section 494(a)(2) in the administration's proposed legislation.

I will close here and thank you for the opportunity to speak and be happy to answer any questions later.

Mr. FORD. Thank you.

Ken?

STATEMENT OF KENNETH R. REEHER, NATIONAL ASSOCIATION OF STATE GRANT PROGRAMS

Mr. REEHER. Yes, Mr. Chairman, I want to thank you and the committee for inviting our association. I do not have a prepared text.

We are interested in principally five areas, the multiple-data entry which we believe has been working well; the common form, or single form, we have an interest in that. The proposals for the single-need analysis and the impact that a single mandated need analysis might have on requirements for State dollars, we are certainly interested in this; the State Students' Incentive Grants program, and I guess, over all, the partnership of the Federal Government, State government, and the institutions in the delivery of student aid.

We have been looking at that as a three-way partnership. We have had trouble, in my opinion, having the U.S. office understand that there is more involved than just the Federal dollars and the Federal role.

Looking at the proposal, I am thinking it really needs to be looked at more as a four-way partnership, the students included, because I see here, as Joel pointed out, the MISAA program really going down the drain pretty much, and I am thinking that this is true particularly in the loan program.

There are many student benefits that will be withdrawn if the administration's proposal carries through.

Looking particularly at the SSIG, our association recommended that the problem in the SSIG was not with this committee, but rather with the Appropriations Committee. You legislated many years ago a $50 million program in the initial year, growing to $200 million after 4 years. We haven't hit the $100 million level as yet.

The administration has consistently failed to recommend an appropriations level that would encourage the Appropriations Committees to meet the program that your committee, this particular committee designed for the SSIG, and we think that is one reason for the failure of the SSIG to grow.

We had proposed that the SSIG be tied to the BEOG program with funding equal to 10 percent of the basic grant program, so that the Appropriations Committee would have to pick up the philosophy of this committee in developing the SSIG.

We find here that the proposal that our association made to change the fund allocation formula to make it more equitable for the States, that has been overlooked. The new maximum we requested has been overlooked, and the problem that we are having with all nonprofits has not been addressed in the administration.

The last two pages of the USOE statement, at least the one I have, covers the SSIG. That was not covered in the verbal part. It is very difficult for me to understand how the proposal of 100 percent matching of new State money the first year, dropping to 80 percent of the total State funds the second year, 60, 40, and 20, will do anything under the SSIG. The USOE statement indicates that the States which are overmatched need encouragement to appropriate new State funds. I don't see the proposal as providing encouragement.

For example, if I might use the State of Pennsylvania, we are overmatched $10 million. We have roughly $70 million State funds in the pot and receive $3 million Federal. If we don't put any new State money in, but we get 80 percent of the State money, and then 60, and 40, even at the 20 percent level the fifth year, 20 percent of $70 million in State funds exceeds many times the $3 million Federal funds that we now get out of SSIG. So we could quit providing new State funds and there would be no penalty, and there certainly is no incentive when you put up $100 in State money the first year and it is matched, and the second, third, and fourth year that the student is in school, you have to carry him more and more by yourself by State funds.

So we think that the administration's SSIG proposal needs to be looked over quite closely.

We are looking at a program now where many of the new States are just getting by; they are just barely drawing down their SSIG.

That is under a program where once they have growth they always have match, but under the proposal the second year the match would drop to 80 percent, 60 percent, and I don't think it takes a very experienced person to look 4 years down the road or 5 years down the road and see that that program, once you get into it, is going to be all State dollars.

We would recommend, Mr. Chairman, that the committee give serious consideration, not to the proposal of the administration, but to the request that our association has made in the area of the SSIG.

Thank you.

Mr. FORD. Thank you.

Miss White?

STATEMENT OF CONSTANCE L. WHITE, DIRECTOR, UNDERGRADUATE FINANCIAL AID AND COORDINATOR OF UNIVERSITY FINANCIAL AID, YALE UNIVERSITY, NEW HAVEN, CONN., ACCOMPANIED BY DALLAS MARTIN, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Ms. WHITE. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, I am Constance L. White, director of undergraduate financial aid and coordinator of university financial aid at Yale University.

I currently serve as chairman of the Uniform Methodology Subcommittee of the Coalition for the Coordination of Student Financial Aid, and as director of the Commission on Management and Administration of Programs for the National Association of Student Financial Administrators.

I wish to thank you for the opportunity to appear before the subcommittee today and to briefly comment on the administration's proposals for amendments to the Higher Education Act of 1965.

My comments today will be limited to the administration's recommendations on a legislatively mandated single application form, single need analysis system, and changes in existing fund allocation systems.

A complete analysis and a formal statement on the administration's reauthorization proposals will be submitted to the subcommittee by Dr. Dallas Martin, our executive director, when he testifies before the subcommittee next week.

Dr. Martin is with me this morning to assist me in responding to any questions which you might have.

The administration has proposed that the Congress legislatively mandate the use of a single form by which a student may apply for all Federal need-based student aid programs. Further, the Federal Government, not the student, is to pay the processing costs of this new mandated form.

While our association has always endorsed the concept of simplifying the application process for students and parents, the development of the form and its contents have been seriously debated throughout the financial aid community for several years.

The primary reason for this debate is that institutions differ substantially in the programs they adminster, and each of these programs has differing eligibility criteria which necessitates collection of different data to determine which applicants should be awarded which type of funds.

Therefore, it is very difficult to develop a single application form to meet the needs of all institutions and all students who wish to apply for more than one Federal, State, or institutional program.

Representatives from our association have worked very closely with the Bureau of Student Financial Assistance during the last year in an attempt to develop a single application form to be implemented through the multiple data entry processing system in the 1979-80 processing year.

While it is true that some institutions will be able to utilize this new single application form without requiring additional supplements or separate institutional applications, a recent survey con-

363

ducted by NASFAA showed that 75 percent of our member institutions would not be able to use the OE simplified form without additional information.

I would like to request that a summary of the NASFAA survey and that of the American Association of Collegiate Registrars and Admissions Officers and the survey by the National Association of College Admissions Counselors be entered into the record so that the members of the subcommittee may review these findings.

We support the administration's recommendation that costs of processing student applications for Federal student aid be borne by the Federal Government, not the student. We would hasten to point out, however, that the private need analysis services which perform the evaluations of these documents also provide many other supporting services.

If the Federal Government is going to pay only for the direct processing costs associated with these services, then other activities such as ongoing review, analysis and refinement of existing procedures, training and communication and research would be lost.

Therefore, if the Federal Government plans to pay for the processing of Federal student aid application forms, we would hope the pricing and reimbursement to these nonprofit processors would be sufficient to sustain these other needed services.

The administration is also seeking statutory authority to develop and implement a single need analysis system for all Federal need-based student assistance programs.

In my previous testimony I expressed NASFAA's concern that while the Middle Income Student Assitance Act had brought the results under the Basic Grant program closer to the results under the uniform methodology for families with incomes below the $25,000 income level, the contributions above this level of income still differ substantially.

Thus, NASFAA would endorse the development of a single need analysis system that would measure the student's and his or her family's ability to pay for a postsecondary education.

However, this system should be separate and apart from methods of determining a student's eligibility for specific programs. In other words, a single system should be used to determine the student's need, but the amount of this need should not artifically be limited by program eligibility requirements or limited appropriations.

We also feel that the current method of developing, reviewing, and updating the need analysis system is preferable to the model which the administration has proposed in its legislation.

Currently the proposed changes to the uniform methodology come from discussions among representatives of institutions, students, State agency personnel, the national need analysis services, and the Office of Education.

These recommended changes are then circulated in advance of their adoption to members of the financial aid community and reviewed in regional and national meetings.

The administration's proposal, on the other hand, would substitute a procedure for development and review that would only provide the community with the opportunity to react in a short time frame rather than to participate on a broader scale in the development of the system.

Thus this procedure could potentially limit input to the administration and any advisory body unless mechanisms were developed for wider discussion and input.

Last, we would discuss the funding proposal to allow institutions to carry forward up to 5 percent of their SEOG and CWS funds from one funding year to the next. While we would prefer that this amount be 10 percent rather than 5 percent, we are pleased that the administration recognizes the importance of this issue and is in agreement that such flexibility will enhance the management of the programs and better serve needy students.

We know, however, that in the area of fund allocations, the administration's proposal would eliminate the existing State allotment formulas in their new basic loan program. While this may be necessary, such a change may cause major dislocations of need-based loan funds from one State to another. Perhaps a representative from the Office of Education could address this issue later in the hearing.

Again, Mr. Chairman, thank you for allowing me to respond to these proposals, and I look forward to addressing other issues that you and the subcommittee or the members of the panel may have later in these hearings.

Mr. **Ford**. Thank you.

We have a vote on the floor on the Department of Energy. We will recess briefly for this vote and come back and then first ask the administration representatives to respond to the criticisms suggested this morning, and then have questions from the committee.

[A brief recess was taken.]

Mr. **Ford**. The subcommittee will resume its hearing.

Mr. Jeffords has a body that is needed in another place, so we will let him proceed with his questions first.

Mr. **Jeffords**. Thank you, Mr. Chairman.

I appreciate that very much.

I would like to start off with a rather broad philosophical question primarily directed to the administration.

To give a little background to the question first, this is an area that I have been somewhat familiar with over the years. In the late 1960's and early 1970's, the majority of the States changed the age of majority from 21 down to the age of 18.

It does not seem to me that we have reacted to that change in these areas. In other words, the legal liability of a family to support a child ended at that particular time, and there is no obligation on the part of families to support their kids after the age of 18.

Notwithstanding that, the approach to funding higher education has gone along with the presumption that the family has an obligation to support.

It seems to me this has raised serious legal questions, and some serious policy questions.

The last check I made, this question had not been raised to the Supreme Court; however in the interim it might have. I am not sure. It also raises an important policy question where we seem to penalize those families that want to help their children by providing them with fund's to attend school.

We reward the family that takes advantage of the independent students assistance provisions by encouraging their child to take an apartment down the street and apply for aid as an independent. However, there is no reward for the family that is loyal and follows tradition, has saved several thousand dollars for education of their children, but must still take a mortgage on their home and suffer the burden with very litte help.

Now there is a tendency insofar as the independent students assistance provisions to put the bead on those people to prove they are really independent. Again this is counter to the law that a child is no longer a child, but at 18 is an adult and there is no obligation.

I wonder what, if anything, the administration has done to react to this change in the legal status of our young people at age 18. What are they doing to perhaps reward the families that are willing to sustain an obligation beyond their legal obligations?

Mr. Voigt. Mr. Jeffords, the basic philosophy of all of these need-based student financial aid programs that the parents are responsible for paying for the education of the children, and that the Federal Government should not step in unless resources from the family are insufficient or not available.

Mr. Jeffords. What legal basis is there for that?

Mr. Voigt. I think it is contained in the basic philosophy of the legislation that authorizes these programs. The fact is that we do look at the resources of the family first, and I think the theory is valid, that Congress in authorizing certain funding mechanisms and certain funding programs, can indeed establish requirements for how and to whom those funds should be distributed.

Quite clearly, the question of independent students is one that not only the Federal Government but the whole student financial aid community has been wrestling with for years, I think since the beginning of need-based student financial aid, and is one of the thorniest problems that does exist.

On the one hand, we want to maintain the basic philsophy of need-based programs; that is, looking at the resources of the family and, on the other, you want to assure that those that cannot get support from the family, where the resources are not there, can indeed get assistance to further their education.

We have had a series of three tests for the independence of students which basically are based on whether the student is claimed as a dependent on the parents' income tax return, whether that student lives at home, and how much support the student gets from the family.

Obviously, the only one of those three tests that is in any way verifiable is the student being claimed on the income tax return.

We did some serious thinking about that and came to the conclusion that we should change the test to strengthen the idea that families are responsible, so that if a student is 22 or younger, that student would be automatically dependent.

In other words, we would look to the family, unless that student is married or has dependents of his own, or and I think this is equally important, if the financial aid officer in direct contact with the student finds that this student is indeed not a dependent member of the family. Our lawyers have indicated that we can legally put in an age clause into the dependent student test and maintain or strengthen the philosophy of the need-based program.

You really have almost no other option, unless you completely alter the financing of postsecondary education away from need-based programs.

It's conceivable that eventually sufficient resources at the Federal, State, or local levels will be made available, so that all postsecondary education is free so you don't have to go through these kinds of things, but those kinds of resources would be massive.

Mr. JEFFORDS. I understand that.

Mr. FORD. Would you yield to me at that point?

Mr. JEFFORDS. Yes.

Mr. FORD. Peter, I cannot quarrel with your explanation of the philosophy of the family contribution assumption, except that you don't go far enough.

The real truth is that we are going back to the thinking of 1965. We were in the middle of passing poverty legislation and the Elementary and Secondary Act that used low income as a way to arbitrarily ration limited dollars. In the process we were hoping that we would shoot them at a target where they would do the most good.

These programs came in originally with the eligibility in such low-income families that the family contribution factor was just a rationing device. It really rationed out middle-income and upper-income families by saying if you have money or resources, we are not interested in getting to your kid at this point.

Now, over the years, we have expanded the clientele into higher income levels, so that we are no longer struggling down at the very bottom of the income level and the family contribution assumption or the assumption of the family obligation now is a very heavily operating factor, and produces a very unusual result that we alleviated to some degree with MISAA.

That led to the frustration that brought us tax credits and support for MISAA as an alternative, because people were presumed to be able to make those substantial contributions to education who, in fact, couldn't pay next month's light bill.

That is what we have tried to relieve piece by piece, but if your lawyers over there are still operating with what we said in 1965, they have missed the point, and I don't quarrel with the fact that we legally can cut off these programs by age.

I realize what Joel is suggesting about age discrimination. We can do that. We cut off the social security by age in the other direction, but I am afraid that there is more than coincidence involved in you arbitrarily saying that below 23, you can't be an independent student.

What you are really doing is trying by indirect means what you tried to do in cutting off the student on social security, because the rationale presented when that crazy idea was floated, was that these kids on social security, the orphans, had all these other new programs we had passed available to them, and they didn't need to continue their share to the monthly social security payment.

The Congress just exploded with indignation over that suggestion and, unfortunately, your proposal to use 23 produces for those people exactly the same result.

You are going through the back door to screen out people that you couldn't screen out through the front door and, in addition to that, you really wipe out the progress that we have made in recent years in recognizing just what Congressman Jeffords said, that in my State you are legally an adult at age 18 and you are liable for any kind of an obligation that you incur.

Up until 10 years ago, if you were 18 and you incurred responsibilities for most of the things that young people are signing up for, you had to have a parent or an adult cosign, because it was very questionable whether anybody could recover that debt from you unless they could show it was an absolute necessity.

Then there was a real question with respect to a debt incurred for higher education, a real serious question, as to whether or not an 18-year-old signing a note in many of the States could be held to account in a court of law, because the question still remained as to whether or not higher education was a necessity within the meaning of these ancient statutes that protect children against making contracts except for necessity.

Getting food was all right. Running up a bar bill was not all right. Buying an automobile, even if it was a kid who was working as a carpenter 50 miles from home, was never recognized in the home of the automobile, Michigan, as a necessity.

But that has all changed and yet you are now trying to justify the philosophy of where the administration is coming from on where we were in 1965 and it has got some political problems as well as practical problems.

Mr. VOIGT. May I respond to that?

Mr. FORD. Yes.

Mr. VOIGT. I don't think, Mr. Chairman, that our proposal in any way negates the major step that we have taken with passage and implementation of MISAA.

It really revolves around the question of whether you look to the parents or whether you look to the students own resources or to the total family on determining how much money a student gets.

We clearly have liberalized eligibility for all students in postsecondary education.

If we look to the family of a dependent student who is eligible, that student would still get an award. It's just that we are looking at the family unit rather than making it relatively easy not to claim the student as a dependent on an income tax return and subsequently in many cases get a full ride, even if the family is beyond the eligibility range under the current provisions of MISAA.

That was our primary thought in coming up with this proposal.

Mr. FORD. You are looking for a cheap, easy way to get around the problem of fighting with us year after year over what is an independent student.

You wiped out the discussion and contest that has been going on between this committee and the Office of Education ever since 1972, I believe.

Clearly, in 1976 we focused on it then and fought it back and forth, and every year we go through it with the family contribution schedules, which I must observe for the record was due here on

July 1, and we are told it's some place in Washington on its way toward the Congress, but we don't have it yet.

Does anybody out there know what it is?

Theoretically, we are going to be examining that after it gets here, and I assume it will be delivered promptly after we adjourn at the end of next week, and then during August while my committee is scattered all over the place taking care of important commitments they have made, we will be considering what to do with that family contribution schedule.

The track record of your department, for as long as we have been dealing with this issue, has been abysmal, and there is a mind set over there that says that the Congress is always too generous with these independent students and you keep trying to find ways to head us off and, I submit, that your 23-year-old cutoff is nothing more than a quick easy way to avoid the argument below that age.

That has always been a problem for us; how do you clearly establish that somebody is in fact independent?

Mr. Voigt. That is exactly it.

Mr. Ford. This old-fashioned idea that a 22-year-old has open sesame access to the family jewels and the family treasure is nonsense in today's society, and particularly when you recognize that we have at that age, you would be screening out people with dependents, in effect, of their own.

Mr. Voigt. No; we would not.

Mr. Ford. We are still fighting that argument with you, because we made a mistake in what we thought we were doing with the independent student and the dependent who is under 23.

The independent student in a sense that she is the wife of somebody that would otherwise qualify has to qualify the same as if her husband were her father.

Mr. Voigt. Mr. Chairman, let me respond to that one thing. I was under the impression that, and I guess it has not gotten here yet, that the family contribution schedules were sent last week, before Mr. Bohen's testimony.

Mr. Ford. They were sent someplace.

Mr. Packer. The mail is slow in this town.

Mr. Voigt. Second, there are really two questions, as you know, on independent students.

One is, how do you define them and, second, one of the most sticky points is how do you treat them once you define them as independent?

As you know, in any of these discussions on the family contribution schedules, particularly given the size of the basic grant program and the number of people involved in it, a minor change in taxation rates has some very, very significant budgetary impacts, and in the past we have been constrained on the budget side on making changes.

You will be pleased to know, however, that one of the changes that is proposed in our family contribution schedules does change the tax rate on income the treatment of independent students with dependents. I will be sure to get you a copy before the next hearing on grants, so we can discuss it in greater detail at that point.

Mr. Ford. Well, if something has been sent up and is in the process someplace, could we have a copy?

Mr. **Voight**. I will make sure you get a copy.

Mr. **Ford**. I am surprised, Joel, that you haven't obtained this.

Mr. **Packer**. It must have slipped by me.

I think the other thing that the administration would have to show is that there is a major problem with the large percentage of under 22-year-olds becoming independent.

One study we saw a couple of years ago showed only 4 or 5 percent of the 18- to 22-year-old age group were independent.

The large majority of independent students are older students who would be independent by any stretch of the imagination. We are not talking about a rampant problem of families saying to their children, we won't claim you this year, go out and become independent.

It's a relatively small portion of that age group that is becoming independent, and from this study—and we can submit some material for the record—it showed that a survey was done of their actual parental income, and the parental income was relatively low also, so it's again not a case of rich people taking advantage of the system.

It's a situation of families who can't afford to support their children, who, as we say, don't have any legal responsibility to after they are 18 and these people become independent.

I would wager that a large number of them would not be able to get income information from their parents, because they have no relationship, some of them, with their parents anymore and would not only lose their money as an independent student but they would no longer be able to become eligible as a dependent student because they couldn't get their form filled out.

Mr. **Jeffords**. It seems to me if you say there is a legal obligation of parents to provide education, and that is an endorsible obligation by Federal law, then it ought to be uniform and that every parent ought to be required to provide, and if they don't there ought to be an obligation of Government to collect back what they give to the independent student in BEOG, or whatever, if there are family resources there, if you are going to be fair on policy.

It's the millionaire who kicks his kid out and he goes and gets a BEOG, and a middle-income family who goes out and mortgages the house and ends up paying the education.

If you can create a legal obligation, then it ought to be uniform. If you don't have that power, then I don't see the fairness, or at least we ought to reward those families that do help their students out.

Mr. **Voigt**. The uniformity is there at the moment, by and large.

Mr. **Jeffords**. It's the by and large that bothers me.

Mr. **Voigt**. This is a problem we are trying to address with that new definition.

Clearly, the cases that Joel illustrates will exist, and we are providing authority at the campus level for a waiver of a family contribution for a student who is below that age and cannot for one reason or another come up with the necessary information.

Mr. **Jeffords**. I can't see the age discrimination, because legally there is no difference whether you are 18 or 23.

Mr. VOIGT. The way these programs are set up, that is exactly right, I think.

The point, too, that I would again like to stress is that if we look to the family and that family, under the system that we establish for determining eligibility is eligible, that student will get his award. It's the family that falls beyond the eligibility limit that we are concerned about.

Mr. FORD. But he gets an award based on the assumption that the family is going to make the family contribution, and that is a fallacious assumption if it's an independent student.

Mr. VOIGT. Yes, but I think that is really the assumption that these programs are generally based upon, Mr. Chairman, whether the student is below 22 or is 21 or 20.

Mr. PACKER. Why 22? Why not 21, 25?

Mr. FORD. The reason we have trouble defining the independent student where there is a family with a theoretical ability to help out there is that it does not take into account the realities.

I have used many times in this committee the question of what happens to the younger son who wants to pursue a music career and the father says, "we have always been engineers in this family, or doctors, or lawyers," I believe this is the way Secretary Califano once characterized it in this very room: "It's the way I treat my own son."

"I tell him I am going to pay for college. He can go to any college he wants to pick, as long as it's Holy Cross."

Now, that is his own acknowledgment that that is the way it really is. If you pay the bills, you dictate. We are living in an age when young people make independent decisions and we act as if that doesn't happen. So if the father goes to prison we will give him a grant, but if the father is just a hardhead who says, "If you had a good job this summer as a plumber's helper you would make a lot more money; why waste your time going to college?"

The truth is there are no family resources available, even if the family has got some money in the bank for that child.

I disagree with my colleague in assuming that there has ever been any evidence that there is a substantial number of people who conspire to become independent students, because there are so many other factors involved in establishing yourself independent from a family that it is an awful big price to pay just to get a few bucks from a BEOG grant.

This is always advanced one way or another every time we are discussing authorization. Now, no one has ever shown us that there is a substantial amount of that kind of fraud and abuse.

I have asked that question of student aid people and others, do you have even anectdotal evidence of this sort of thing happening with any degree of frequency, and the answer is, no, we can pick out a few that we suspect, but that is like the welfare cheat. The degree of abuse by people who deliberately misrepresent their status in order to receive welfare payments is believed in this town to be much higher than anybody can ever prove.

The lady on ADC who has a Cadillac is a classic example in this country. We ought to be selling twice as many Cadillacs as we sell with the number of ADC recipients driving Cadillacs. She keeps

371

having babies so she can get a new Cadillac, but nobody can ever give you her address or the license number on the Cadillacs.

I have had an open offer in Michigan for years; get me the name on that license. Everybody says it was my brother-in-law who talked to somebody in a bar, who heard that this happened, but you never can find that person. We have had almost the same experience with people constructing this ogre of the massive number of kids who are smart enough to rip it off.

The Agriculture Committee listens to people come in and talk about the students who are doing this so they can get food stamps, but the phenomenon is never quantified in any way by any kind of evidence that it really occurs and poses a threat.

If the figure that Joel throws out can be verified that at the present time only 4 percent of the students over 22 years of age who are receiving grants are classified as independents, then even if half of that 4 percent were fraudulent it is still a pretty small amount of fraud when you consider that what we really started out to do is buy education, and somebody might be sneaking down and stealing some education.

What a terrible thing to do, sneaking in and stealing education.

I am still admiring the lady at Georgetown who managed to get 2 years of law school without ever registering, because how can you get mad at somebody for stealing something like education?

How can you in fact steal education? Are you stealing some kind of an opportunity? It's like lying about your age to get a job.

Mr. VOIGT. It's quite obvious our views in this are somewhat different.

To begin with, I don't think we are looking at it as anybody stealing an education.

Mr. FORD. I don't want to affect your loyalty quotient on your report card in any fashion.

You better keep disagreeing with me.

Mr. VOIGT. Or we should change the subject.

Mr. FORD. All right.

Would you and Mr. Butts like to make some response to the specific criticism that we have articulated here this morning?

Mr. BUTTS. On this last point, there is an important provision of the administration proposal which automatically takes care of the person who is married or has dependents. This does resolve a problem in the definition of the independent student.

The other point, in terms of encouraging the parent involvement that Mr. Jeffords was concerned about and encouraging parents to pay, the ability of parents to have direct access to a parent loan as part of the proposal is intended in part to provide convenience and assistance to parents in helping to finance their students' education.

Mr. PACKER. You would have a problem if you were married and became divorced because you were 23 years of age because then you have no dependents, and even though you were divorced you would still be considered a dependent.

Mr. FORD. The interesting paradox, we first determine eligibility for a grant or the amount of the grant, and you are packaging a system here that you first exhaust grant money and then you go to loan money and you limit the amount of money that the student can borrow by a determination of need.

The determination of need takes into account a theoretical ability of the family to make a family contribution, and then you say we are going to help the family, because we recognize, although they look on paper like they ought to be able to do something, they have no money in the bank. We will give them a parent loan to make up for the money that we presume they had in determining at the front the amount of the grant.

So you first penalize the student by reducing their grants for nonexistent money and then recognize the money is nonexistent by lending money to the parents to make that contribution. That presents a whole new dimension to this thing that makes us look even more hypocritical in the eyes of families out there that do in fact have a desire to help but don't have any cash.

Mr. BUTTS. The purpose is liquidity.

Mr. FORD. It looks like what we ought to do up front is recognize that they don't have the cash.

Does your proposal examine or take into account Father Drinan's proposal to exempt the principal residence of a family?

Mr. VOIGT. No; it does not. We look at assets as assets and they would be covered under the family contribution schedules. That portion of the schedule has not changed in our proposal.

Mr. FORD. Is that one of the primary ways we determine that an asset is nonexistent or untouchable?

Mr. VOIGT. In terms of looking at the home equity.

Mr. FORD. There is a theoretical $15,000 equity in the home; that is, a home for five or six or seven people. The theory of the way it is done now is that they can somehow turn that equity into liquid resources to use to support the education of their children when, in fact, that is not possible.

Mr. VOIGT. The whole question of assets, has been one that again we in the student financial community have been wrestling with for years. Clearly there are some serious equity questions on assets in particular, but there are also problems in terms of trying to make distinctions, between assets that are "liquid" or "not liquid."

Frequently, assets are relatively easily convertible.

There is a second portion to that debate, and that is the question of how much of an offset do you allow against total assets and what rate do you expect assets to be added to the family contribution?

I think that whole equation is a very difficult one to deal with, and I think the opinions on that range across the board.

As you may know, the question of assets and changing, for example, home equity treatment is one that has very, very significant budgetary implications for the basic grant and for other student aid programs, and that is, I think, one of the reasons why there has always been a struggle in terms of increasing the offsets against those assets in terms of looking at various possibilities of what one does with home equity.

As I said, it is really not part of our reauthorization proposal and would be covered, in terms of our reauthorization proposals, by the group and the process that develops the single need analysis system.

Mr. FORD. I don't suppose it is fair to ask you, but we have had hearings which have been monitored by your people; where we discussed the legislation to exempt all or part of the principal residence of a family or individual student in the case of an independent, from the list of assets. Where Father Drinan's bill has been forwarded to OMB for their reaction, which obviously we are not going to get.

Can we today justify continuing to consider all of the theoretical equity in a home occupied by a student or the student's family as an asset for the purpose of determining need? Does that continue to make sense from your point of view?

Mr. VOIGT. As I said, we did debate Father Drinan's bill and the whole question of home equity. Before the bill came up, we developed the family contribution schedule systems that are hopefully wending their way through the process now. Our proposal at this time is that we continue to look at all the assets, continue to include home equity as part of the package, and we are not endorsing the legislative change in that area.

Mr. FORD. Was this kind of exemption considered in the deliberation of the family contribution schedule system?

Mr. VOIGT. It was debated.

Mr. FORD. Can you tell me what the rationale is of continuing it? How do they explain that this asset can be used for education?

Mr. VOIGT. The basic theory is that we try to, in a needs-analysis, look at the total resources of the family.

Mr. FORD. How does this get considered like money in the bank, war bonds, or whatever, as a resource available to be converted into educational funds?

Mr. VOIGT. What we are trying to do, to begin with, is to measure relative wealth in an allocation system among families. The assumption, I think, basically is that a family without assets, including a home, is not as well off, may have higher expenses on the income side, than a family with a home and other such assets. As a result, the assets are included, and it is assumed that given the taxation rate that we have on the assets, and the overall family resources and the offset against these assets, that that is a reasonable part of the family contribution.

Mr. FORD. How do you explain to the divorced or widowed woman going back to school to seek resources to support the family now that she is the principal breadwinner that she is ineligible because of some $10,000, or $15,000, or $20,000 in equity in the house that the court awarded to her because she needed a place to raise the children?

How do we explain to that person that they don't need a grant because they have this equity in the house? Do we contemplate that to utilize this equity they would sell the house, and since they are not going to reinvest in a new house, pay the tax on the proceeds realized from the sale, 50 percent of the sale would be taxable presumably, and put that money in the bank and move into an apartment with the family?

Mr. VOIGT. I don't think that is contemplated, nor necessary, Mr. Chairman.

Mr. FORD. How does this woman get money to spend on her education?

Mr. Voigt. To begin with, the way the assets are created at the moment is that we take total assets less debts against those assets, and from that there is an exclusion of $25,000 in the basic grants system. The treatment differs in the uniform methodology, and we expect the 5-percent contribution from the remainder. So there is an automatic offset of $25,000 against the net equity of the family. The assumption is that the 5-percent taxation rate is low enough and takes into account—is actually much less below what the annual access growth might be, that a family could borrow against a portion of the house or take out a small loan against that equity at a 5-percent taxation rate.

Mr. Ford. What do you think the reaction would be if you proposed as a part of your family loan program that they could get a loan by pledging each year so many thousand dollars of the equity in their house as security for that loan?

I see heads shaking all over the place. That sounds pretty rough, doesn't it?

Mr. Voigt. There is no need to do that, Mr. Chairman.

Mr. Ford. But if you made a proposal that in order to get the money, to use it, you would have to pledge part of the equity in the home, people would recognize that as being outrageous.

Mr. Butts. We wouldn't do anything that onerous.

Mr. Ford. So instead we consider the whole thing as if they had the money and that is not onerous. We wouldn't think of making them borrow the money from us or pledge it to us in return for our loan guarantee, but we would think of considering the whole thing as an asset.

Some kind of adjustment has to be made in this type of thing, I think, to get continued support from the people who are becoming more and more aware of what we are doing to them.

Ms. Rice. We have been aware of your concern about home equity, and I hope by the middle of next week or a little later to give you data from a study we are doing that will show the costs of such a change and the effects on various classes of students within the student aid population. I think you might find some of the information in this little study rather helpful.

Mr. Ford. That would be helpful to us because we have talked about this for such a long time, and we are not getting much help from anyone in terms of whether or not is it feasible to exempt the entire asset, as Father Drinan would do. Is it more practical to consider something parallel with what is done for senior citizens, for example, in many States where up to a certain level of total value of the property is considered a homestead. If you have a $50,000 house, you still have $25,000 of that considered a homestead, and you apply the equity against that. There are a whole variety of ways in which you can avoid the fear that OMB has that it is going to cost $400 million more if we take everybody's house off the forms.

Ms. Rice. We have a much lower cost estimate, and we shall share it with you.

Ms. White. Within the uniform methodology, the methodology which will be in use this processing year for the 1980-81 award cycle, we have increased substantially the asset protection allowances. They run from approximately just below $25,000 to around $50,000, and they are age-sensitive. This is in recognition in some respects that perhaps we are moving toward a homestead exemption, and that at those levels the assets are just not available to tax directly. So that we are recognizing this in the methodology already.

Mr. **Ford**. We already give them $50,000 farm and business assets.

Mr. **Voigt**. I think in part the uniform methodology really is catching up to the change we made in Basic Grants last year.

Ms. **White**. Except our exemption is not on the business and farm. That is treated first, and then an allowance given against that also, but that has a different structure to it, so it is possible that if you are older and have total assets, excluding a formal business of around $40,000, these assets could be totally protected.

Mr. **Ford**. But not if you have a $15,000 or $20,000 house, with mortgage payments to make, that houses your family.

Ms. **White**. I think you are quite right; there is a problem in this area, and the particular problem is not just a question of the treatment of home equity, but the question of the value of the home, and the fact that the parents are asked to provide an estimate of the market value and then, of course, from that is taken the unpaid mortgage to determine the equity.

I think that is the biggest problem. On the side of the homestead exemption this is what we are doing in terms of the increases in the asset protection allowance.

Mr. **Ford**. I don't want to take too much of our time with that, but I am interested, Peter, on page 4 of Lois Rice's presentation, the second full paragraph of the page:

> The administration testified to you last week that "While the use of [a] single form for federal programs clearly falls within the scope of HEW's administrative authority, we recommend that the Congress ensure the continuation of [a] single form in future years by mandating its use in the statute".

And taken in context with the additional oral statement made here this morning, I got the sudden feeling you were passing the buck, that the administration does not want to take the heat by regulation in trying to justify the single form but thinks if we pass it, Congress will have taken that action, and therefore you are just being dutiful soldiers carrying it out.

That makes me a little uneasy. If you are trying to get rid of a hot potato because you can't solve it, I am not anxious to catch it.

What is your reaction to what she suggested here, that we continue to authorize you to work toward the single form and give you full power to implement it by regulation? We do everything else by regulation. Why isn't that the more practical way so you can be flexible and change the regulations? It is easier to change regulations than it is the statute.

Mr. **Voigt**. To begin with, Mr. Chairman, I think the blisters of that hot potato have gone from my hands. I don't think we can be accused of not handling that one. We have looked closely at our legislative authority to require and mandate use of the common form.

Mr. **Ford**. Would you be satisfied if we just gave you that authority rather than mandating it by statute?

Mr. Voigt. I think that would be exactly what we have in mind to begin with, Mr. Chairman.

Mr. Ford. That is not what you suggested in your bill. Would you be willing to work with us to work out legislative language that made it clear you had no legal impediment to imposing a single form by regulations, but that it was not mandated and wouldn't become effective until you promulgated the regulations?

Mr. Voigt. I think the end result of that would be what we intend. We don't at this point have the regulatory authority to mandate the common form. What we have is authority to contract under multiple data entry, and we can require the multiple data entry process to use that form. We cannot regulate it because there are lots of institutions that don't use the multiple data entry process.

Mr. Ford. As we heard before from Mr. Reeher's organization, he pointed out that the concentration on the single form for the Federal programs implies to some people that that is the only thing a financial aid officer has to deal with, and does not take into account the probability, and I believe Ms. Rice has put in her statement, of additional forms, in any event.

Mr. Voigt. May I respond to that, Mr. Chairman, the whole issue on the common form?

To begin with, admittedly multiple-data entry is a major step forward, plus the fact we have been able to implement somewhat of a common form this year is also a second major step. But the way the process and the system operates now, we are still far from having a single form that the student completes once and gets his aid no matter where he goes.

At the moment, if he applies to two different institutions, and they use two different need-analysis services, he still would have to fill out two forms with the attendant fees, and the attendant fees have been fairly high, particularly if he goes to multiple institutions, or if he wants the results himself.

We obviously recognize that many institutions do require additional information to package not only their Federal award, but also State information, and also awards that are scholarships that have different kinds of requirements than Federal or State awards. And, as a result, no matter what one does in a core document, a very simple single form, you would have to provide for the use of supplemental forms to collect that additional information for those institutions that need it.

There is another part, though, to the supplemental information, the additional information, and that is that many schools feel that they need that to make a more thorough review of the student's financial information, to look more closely at that student's family background and financial background. I think, though, some of the steps we have taken, like the revised edits in the program, like validation, which cut across all programs essentially, address this problem. If a form is validated and the corrections are made, then these kinds of situations would have to be reconciled at the campus level. Therefore, it may not be necessary, particularly given the result this year of the validation system, in the future for institutions to collect that additional information or for many institutions to collect it. It is very necessary for the institutions to look closely at what they are collecting and the kind of burden they are putting on the students and look at the whole system to try to minimize that student's burden.

I think also, as Ms. Rice indicated, we fully recognize under whatever system is put in place, the need for the auxiliary service, its training, information materials, and it is our view that this system will have to provide that so the consumers and the institutions know how the system operates.

In addition, the question was raised on how the form would be processed. I think we left that up in the air because there are a number of options, and there are lots of pros and cons. I think it is quite desirable to conceive of such a system using a single form that is decentralized so you have information contacts at local or fairly local levels. It does not have to be, a centralized system only. So in that area, we see lots of alternatives that can be worked out, but we do think that the use and the permission for us to implement a single form—whether it is mandated by legislation, a single form, or whether it is permitted and encouraged by legislation—is an objective that we have to get to.

Mr. FORD. Since both the National Association of Student Financial Aid Administrators and the College Entrance Examination Board raised the question of the burden of institutional aid being packaged, how much institutional aid are we talking about as a practical matter?

Ms. RICE. As you well know, the Federal Government under BEOG's will put up this year about $2½ billion, and with the campus-based programs roughly another $1 billion. Now that seems like an enormous amount of money, and it is.

On the other hand, there is at least another $2 billion out there that is not Federal money—from States, and from institutions—and I think none of us can come up with very good estimates of how much there is in the private sector, for example Rotary clubs, National Merit, any number of programs that are not governmentally sponsored or not run through educational institutions. We can say, however, there is about 1½ times as much Federal money as non-Federal money.

Still one has to look at this issue on an institutional basis. I looked at some data on outlays of student grant moneys at 30 of the COFHE institutions, the Consortium on the Financing of Higher Education. Admittedly, those are well-endowed, selective institutions and not representative of all institutions, by any means; still they fall into a category similar to, at least, 200-400 other institutions which have sizable grant money of their own. The Federal grant money going into those institutions, (in all but one) did not exceed 15 percent of all the grant money that those institutions were giving to students from their own funds—$93 million out of a total of $146 million in grants.

So the concern that I have here is similar to my concern about a single form. I have devoted, as Mr. Voigt has, almost this entire year working closely with the Office of Education to come up with a common core document that the College Scholarship Service, the biggest processor will use this year. We are using exactly the same core document that the Office of Education has worked out, and we worked this out in a voluntary way without any legislation from the U.S. Congress. There were periods of difficulty, admittedly, but we cooperated and participated and brought a lot of people into the system kicking and screaming, as Dallas, or Connie, or anybody else here can attest. We have a common form with a supplement on it to take care of the special needs of institutions, of States, and private dollars of aid. We have it in place. We are going to use it this year.

Act is the one group that is not going to be able to use the agreed upon core document this year because of their machine differences. They use a mark sense method, and we use a key punch, so the forms have to look different. We have in existence this year a very noble experiment, and I would encourage this body to wait and see how a cooperative effort, bloodied at times, but cooperative, is going to work. We have something in place; let's see how it is going to work for a year at least.

The thrust of my testimony was to say that the single form doesn't really simplify the system, particularly if it is only mandated for Federal programs; that we need an integrated approach so an applicant for aid can use one form for several sources of assistance, certainly, to determine eligibility the BEOG, and the campus based programs, and a merit scholarship and State scholarship program. That should be our goal, and that is now the practice in at least 30 states.

I don't see the need for legislation in this area. We've accomplished what they are asking this body to mandate. The administration wants to make sure we continue acting in good faith, but I don't think that is the case.

I would like to refer to one other thing that I believe Peter said, I think you suggested that it hadn't been decided how this processing would work, and I would like to read from page 19 of Mr. Califano's testimony—and again this is something HEW hasn't yet put into legislative language.

"This proposed reform"—talking about the single document and single application—"is not, of course, inconsistent with the continued utilization and processing of this single application form on a decentralized basis by educational institutions and intermediary organizations to insure careful integration of family, institutional and other resources with available Federal aid."

So I think the administration, at least in the testimony, made some commitment to work toward a meaningful integration of all sources of aid to students.

Mr. REEHER. As a fellow public employee, which is quite different than college scholarship service or college board, I have spent the last several years with the Keppel task force and the coalition, and I would caution the committee, if I may, not to give the U.S. office any more clout than they have. They have sufficient clout, or we wouldn't be talking about a single form, because it was resisted strenuously.

The bottom line now, though, is that 30 States are working with the CSS form on an overlay basis. That is a big improvement. In Pennsylvania, we have gone strictly to the USOE recommended core document and did away with everything else, all the other data, that we have been gathering, and I don't think anyone knows whether we did the right thing or not, because the format, the question content, and so forth, on the new form have been changed. Much of what we used to have on the application form which drew a finer answer has been moved over to the instructions, and we could have some validity problems.

We have had to give up some State policy parameters, and I think we have gone about as far as we can go safely in a very short period of time.

This is true not just in Pennsylvania. It is true with the other 30 States, and I believe the institutions are a little slower to react than the States are in this area because they have different demands. They have different constituents that supply their money. You know it is not just the Commonwealth or Uncle Sam; there are different constituents involved, and the colleges have to test the waters. And I think if the thing is left alone, without Federal legislation, that there is a natural movement toward a reduction in forms.

My staff is meeting today with a group of financial aid officers to determine whether there should be a common form in Pennsylvania to gather the data that the colleges need that we have now decided we don't need as a State agency, and it is difficult to say how that will come out. We have had 10 institutions say, we are going with you solely, we don't need anything else, we don't even want a paper; but that is 10 out of maybe 200 or so. I think the movement toward a single form is there. I would give the U.S. office a lot of credit for moving the private sector towards a reduction in what they are gathering.

And this all started prior to the Keppel task force. In fact, Tom Butts, I think, organized the first meeting out in Chicago before the Keppel task force was even set up, and there has been a lot of movement in this direction, and I think it would be foolish at this time to legislate anything more than what the U.S. office currently has. They have a lot of clout.

Mr. FORD. How does your legislative proposal take care of paying the fees?

Mr. VOIGT. It would be done, Mr. Chairman, through a regular line item appropriation, as we have now as part of the basic grant processing system. There is an administrative set-aside or administrative cost portion of our budget which would include the cost of processing and similar services.

We think at the moment, given what we are paying now for basic grants processing under multiple-data entry, with competitively let, negotiated, even decentralized contracts, that the total cost would not exceed what we are paying at the moment in any substantial way.

Mr. FORD. We haven't had much luck with a separate authorization up until now getting appropriations because it mentioned payments to institutions.

Mr. VOIGT. It is a separate item, Mr. Chairman, and we have not had any difficulties in getting the appropriations for operating the program. That is a line in the categories, and this budget item would be included in it.

Mr. FORD. It would be a line item in your appropriation that you would then pass out?

Mr. VOIGT. Yes, sir. It is now with the administrative cost allowance, part of the total Basic Grants processing system, just a subpart, and we estimate what we need for student cost and add on the administrative cost, which is also done, and we have never had serious difficulty in getting an appropriation for operating that program. They are closely scrutinized, obviously.

Ms. RICE. If I could remind the Chairman, the Office of Education now only pays the costs for processing the form. I didn't mean to sound like the ogre by suggesting that some people, at least, can afford to pay a fee and should, but I just hope if this is a kind of line item for all the campus-based programs, and this committee and the Congress should decide to go in that direction, that you will certainly have to either create and support all of the services that a processing fee does not now pay for. The college board and your organization, Ken, have had to go through long, protracted negotiations for a processing contract, and I assure you that those contracts do not support any of the research, do not support any of the training, do not support any of the information we give students, and all the myriad of other activities I and others have mentioned.

If we would find a way to assure that those kinds of needed activities would go into a processing contract, I would be delighted. I would still raise the question, as earlier, whether people, particularly those deemed ineligible for student aid should have the government pay for their application.

Mr. PACKER. I have to disagree partly with Lois' suggestion in terms of paying for the cost, that maybe we should only pay for those people who are needy. What that seems to suggest to me is we set up a needs-analysis system to determine if someone is needy enough to have their fee paid for and have the needs-analysis performed to see if they get money from the Federal Government. It seems complicated and seems to me to say that it is absurd to require people to pay private companies to determine if they are eligible for Government funds. I am not aware of any other Government program from welfare or medicaid or food stamps, where the Government requires someone to pay a private organization for the organization to tell them if they are needy enough for the Government to give them money.

It is partly, yes, but it is more of a psychological and philosophical question that it doesn't make any sense for students to have to pay private agencies to tell them if they are needy or not. No one seems to have ever understood why it is being done that way, and we strongly agree with the Office of Education in this case that the Government should pay all the fees, and we also agree with Lois that those fees that are paid should include cost to cover the other real important activities—publications, research, training activities—which are vital to an integrated system.

I think it is important to look at the whole thing, not just a formula or a printing and outfit document, but it is a complicated system and involves a lot of different parties and different activities, and they need to be maintained and expanded, really. It will be complicated to do.

Ms. RICE. I had no bureaucratic monster in mind, Joel. We give away $273,000 in test fee waivers, and the high school counsellors could possibly identify those in need of waivers for student aid applications just as they identify those to test waivers.

Mr. Ford. Wouldn't it be easier if we did it like the VA and other agencies and assume from the beginning that whatever is needed to verify the eligibility of a person for the award is part of the cost of running the whole program? Nobody questions how much the VA spends on verifying claims, on setting up whatever procedures they want to, but everybody assumes that that is a responsibility of the agency passing out the money.

Mr. Packer. Wouldn't it be easier to follow what I perceive to be the administration's direction of having this considered, whether they contract it out or however they do it, as a cost of running the program at the Federal level, and let them contract to privately, publicly, however they can best get the job done, but disregard all of this bookkeeping about needy and unneedy and students who win and students who lose the awards?

There is an anomaly in this thinking that I suspect would be very difficult for the students to understand that I think comes about when you make the point that you are paying a private agency. You are not really paying a private agency. You are paying to offset the cost to the Federal Government to engage that private agency to perform the service for them.

Mr. Buchanan. Are you in any way going to be able to assure that the research and other activities do in fact take place and are financed, though?

I do think that is a legitimate question.

Do you feel your persuasive powers are great enough with the Committee on Appropriations, Chairman Natcher and company, that they would see the wisdom and necessity of these activities?

Mr. Voigt. We believe, Mr. Buchanan, that we can indeed.

We have in the past had a fairly substantial amount in our administrative budgets for training, not training necessarily for basic grants, for printing of materials, et cetera, if the system were expanded as we envision it can be expanded.

Mr. Ford. There has not been a problem in getting whatever HEW has asked for for the function that HEW is performing or contracting out.

The problem we have had is where we took the additional step in 1976 and tried to give the institutions some administrative cost money to hire their people to process the paper. That is the point at which Members of Congress say what is going on here.

We don't pay anybody else to apply for Federal money. Why should we pay them to ask for our money?

That is what we run into, and I don't think it's going to change.

I have already told the NASFAA people that as much as I admire that program and I was part of getting it into the law in 1976, I am convinced that the mind set around here against giving money to institutions to help people fill out papers to get Federal money is so strong that we will never get appropriations for it.

We are talking here about a little different part of the costs of this processing. It's the actual determination of eligibility which really ought to be a cost of the agency that is going to pass out the money.

Mr. PACKER. I think you could sort of at least provide some safeguards, add language in the bill or in the committee report saying that the Government in its payment of processing fees, if it pays to a private processor would include reimbursement for reasonable cost of training, dissemination, other items perhaps.

Ms. RICE. There would be about 10 more RFP's.

Mr. VOIGT. Basically, it would be about the same number of RFPs we have now. These kinds of services at least have already been included since the outset of the program in 1972 in our budget, and we have not had any difficulty in getting the necessary administrative funds to run the program.

Mr. FORD. Let me see if I can get a reaction to Constance White's comment on page 4:

> We would endorse the Administration's proposal to allow institutions to carry forward up to 5 percent of their SEOG and CWS funds from one funding year to the next. While we would prefer that this amount be 10 percent rather than 5 percent, we are pleased that the administration recognizes the importance of this issue.

Now, that issue of the carryover with respect to college work study has bothered people for a long time, and there are understandable reasons why administrators cannot anticipate where they are going to be able to create a job at the right time for the right student, and so on. I tend to agree with her, that 5 percent is not enough.

But I have some difficulty with the carryover of SEOG money, and that is the reason that the little bill we are passing now was waiving the 15 percent on BEOG.

I was asked, if you recall in front of the Appropriations Committee, how did the 15 percent limit on BEOG carryover get there, and the best I can remember is to keep the Office of Education honest and make them pass out the money and not carry it over.

The fear we have is that the carryover is an encouragement not to expend the money and doesn't do us much good to have it come back to Washington.

Would you consider a reaction to this a possibility of broadening the work-study flexibility with whatever reasonable limitations on the exercise of that you want to put on and trading off the 5 percent?

Is this an excuse?

Why can't you get rid of SEOG money before the end of the school year? You can't go back and find the kids who have some unmet needs and get rid of it.

Ms. WHITE. One of the problems in that area is quite often we receive additional allocations in the process, and the money comes to us so late that we are unable to utilize it.

Mr. FORD. Again, why can't you go back and find the student with a demonstrated need who was disappointed in his application with a demonstrated need but you didn't have the money to provide that need?

You always have more requests for SEOGs than you have money for it. Why couldn't you just go back and give another layer on the existing study? You can't do that with work-study, because you can't recapture time that has passed, but you could offset the additional burden that the student has found unmet when he made the SEOG application.

I am reluctant to encourage people to let SEOG money lay there past the time that it is appropriated.

Ms. WHITE. Well, I think that with the carryover on the SEOG, it's a question of small amounts, and it's a question of, if the student does not have enough grant money by the time you get around to reallocating these funds the student may be working, may have covered that need through a job.

The aid officer knows that, and also at that point, if they have already earned that amount to stop working if it's late in the year, would inconvenience the employer or, on the other hand, they may have earned moneys such that you can't replace that with the SEOG.

It's small amounts in the SEOG program. It's more of a problem in the college work-study program.

Mr. FORD. Then why the figure 10 percent on College Work-Study and not 15 or 12 or is that related to something, or is it just double the administration?

Was that just an expression, because the way you put it we would prefer 10.

Ms. WHITE. We are talking about more in terms of flexibility. Each year is a little different and the time of reallocations is a little different each year, and there is a difference between the problems in the SEOG program and the College Work-Study, perhaps the percentage could be different.

Mr. FORD. How much flexibility could we give using the percentage with or without triggering mechanisms to make the percentage available? How much flexibility can you give without running into the danger of sloppy administration of work-study where they don't really work hard enough to get the jobs to the kids who are in school at the right time?

Ms. WHITE. I think that 10 percent is reasonable.

Mr. FORD. Am I overstating the fear that too much flexibility in committing these funds might lead people to delay making decisions and thereby deprive people on the campus who need the work study from getting it?

Ms. WHITE. With a College Work Study program—we have had reallocations in that area, and letters come very late—it's more of a problem with them than the SEOG program, because it's a question of creating the job, so if you don't know you are getting the funds and you get them late, creating a job is more of a problem then.

Perhaps Dallas would like to respond to that question.

Mr. FORD. Mr. Martin?

Mr. MARTIN. If I may, let me give you an example, and I agree with you.

We are not interested in trying to subvert anything that would cause sloppy administration of programs.

An institution requesting additional work-study funds during the reallocation process will do so in November or December. Therefore, they ask for the dollars they can use for the balance of the year.

During the last 2 years those allocations were not made until very late April or May or even early June.

Consider, a State institution that has no backup or other resources. They request money they could have had to assist students from January to April and don't get notified until June. The business officer who has the final authority to allow an institution to expend those dollars will say, no, unless you have an official letter saying it's a contract. Thus, institutions suddenly find themselves in June with $100,000 of money and yet it's too late to utilize it.

If they have no flexibility of carrying money forward to the next year they show underutilization and get caught in a cycle. It then appears they didn't spend what they got the previous year.

The only reason for allowing at least a 10 percent flexibility is to try to minimize the effect on future years of funding and provide some reasonableness of administration.

It's our intent to insure that maximum utilization of those dollars go to students in a given year to meet their needs.

The request was made initially by NASFAA for the 10 percent flexibility.

Mr. FORD. Well, we took care of that problem to a large extent in elementary and secondary with forwarded funding.

There ought to be a way that we can approach this. What would happen if you turned to the grant year for College Work Study into something like the calendar year, or some other period instead of the fiscal year?

You would have some legislation specify that it could be expended outside of the fiscal year for which it is appropriated.

Mr. MARTIN. Our problem really is not in budget, because the Congress in the last 2 years has done a pretty good job through the budget committees, and by recognizing when the money has got to be set aside.

The delays occur in the processing of requests and in getting the official award notification letters out to schools.

It's more of an internal operational problem than a calendar problem.

Mr. FORD. It's the reallocation portion of it that causes the problem?

Mr. MARTIN. That is the biggest problem.

Mr. VOIGT. Mr. Chairman, I think our concerns were the same as yours when we set the 5-percent limit.

We thought we might want to be consistent across all programs in terms of the carryover, but we would be happy to go back and reopen this issue and possibly consider different percentages for carryover for the grant SEOG program as opposed to the work study program.

Mr. FORD. It strikes me that the problem for administering them was quite different, that you can pay for education after you have had it, but you can't pay for work-study after the time to perform the work has gone by.

Mr. VOIGT. Exactly right, and we will be happy to look at that again.

Mr. FORD. If you simply authorize him to go back and pick up people that they disappointed along the way, then see what happens.

Mr. VOIGT. It's a different problem than the grant program.

Mr. FORD. I am all for flexibility. The more flexibility you make them the longer it takes to hammer them into doing so.

Mr. VOIGT. That is why we are so flexible.

Mr. FORD. You see how effective it is when we put specific dates in the legislation like July 1.

There is another thing in here that you mentioned today, Peter, page 4, referring to the standard of academic progress.

You say: "The standard we are proposing is not an onerous one, nor is it so strict as to ignore the very legitimate difficulties which would confront even the most dedicated students."

I took a quick glance at the standard, and one of the requirements is that you must have completed half of your work in a preceding school period.

Mr. VOIGT. School year.

Mr. FORD. Does your legislation contemplate any kind of an escape device for hardship?

Mr. VOIGT. Yes; we do. There would be permission at the campus level to waive that requirement if it is necessary.

Mr. FORD. It isn't in the legislation we have. It stops where you say that you must show—and this smacks of the kind of problem we have had with the VA.

Mr. VOIGT. Mr. Chairman, that was always the intent on our part, and we will doublecheck to make sure that that is in there somewhere in the legislation, but it was always the intent to have that provision in that proposal.

Mr. FORD. That would relieve some concerns if it were clear that the people at the local level could decide whether or not that requirement made sense.

Mr. VOIGT. Yes.

Mr. FORD. For someone who had something happen during the previous year that didn't have to do with dropping out to go to Woodstock——

Mr. VOIGT. We fully agree and think that something like that has to be in there.

Mr. PACKER. Mr. Chairman, we haven't really examined this very carefully in the interest of trying to get some possible data from the administration.

It seems to us sort of a gut reaction that the administration, the Federal Government, should not be getting into it at all, deciding what is or is not satisfactory academic progress, defining academic standards, even if there is some flexibility to waive those on the campus.

We have run into a lot of problems with the VA. We would lean to opposing it. Once we start opening the door, you start possibly getting into a lot of problems of standardizing what academic progress is.

What does that mean, completing 50 percent of your courses?

Mr. FORD. It means whatever it means at the school you are attending, because to be carrying on or planning to carry at least one-half of normal full-time workload for the course of study he is pursuing as determined by the institution.

Now, this is about what we do now with the veterans, isn't it?

Mr. VOIGT. Fairly close.

Mr. PACKER. It needs to be looked at.

Mr. FORD. I didn't see anything in the statutory language presented to us that had a decision with regard to what is adequate academic standards made by anyone except the institution and, if necessary, we can be careful to make sure that the language and the report make it very clear that this is not intended to allow any intrusion on that decisionmaking process at the local level.

Mr. VOIGT. Nor is it intended to, Mr. Chairman.

Mr. FORD. Mr. Weiss?

Mr. WEISS. Thank you, Mr. Chairman.

I wonder if we could have a sort of reconciliation effort on a position which seems to me to be in conflict.

On page 2 of your testimony, Mr. Voigt, on the single-needs system and page 6 of your testimony, Miss Rice, you seem to be saying that in fact you are proposing a single-needs formula, and I am not really sure if you accept that or not, Ms. Rice.

Ms. RICE. On page 6, I noted that we now have two standards for determining need. And each of them serves a very different purpose.

The basic grants system was originally designed only for the basic grants program, and it always produced, before MISAA, a much lower expectation from families than the unifrrm methodology.

As the table I have attached to my testimony shows, there is now a great discrepancy, between the two systems, particularly at the low income levels where the Basic Grants program is much harsher on families. And at the upper levels we have difficulty and confusion because campuses and colleges can use either the unifrom methodology or the Basic Grants schedule in the administration of the campus-based programs.

I am not proposing a single-needs standard. I was trying to raise some very vexing questions about legitimacy, as to who should create if, we had a single standard and whether it should be budget driven, as is now the case with the basic grants schedule.

The uniform methodology is a rationing device as well, but certainly less so. We should spend a good bit of time deciding who is going to determine a single schedule, whether it should be the administration (HEW) or whether it should be the Congress or a cooperative effort between the Congress and HEW without, as Joel said earlier, the involvement of a lot of people who, I think, are vital to such decisions.

There is not a great difference of opinion. I was trying to raise some serious questions about who would make the determination.

Mr. WEISS. I am sorry. Would you like to comment on it?

Have you decided on what the formula is going to be?

Mr. VOIGT. We have made no decisions at all. Our proposal is that we be granted the authority which we don't have at the moment to mandate or to develop a single system.

No work at all has been done on what that system would look like, and we believe we would have to have very, very heavy involvement by the financial aid community and the Congress in approval of that system.

We see it as operating the same way as the basic grant program family contribution system operates now, that is, with the proposal by the administration developed jointly with the financial aid community reviewed by Congress each year with basically the same kind of authority that Congress has right now in the Basic Grant family contribution schedule.

Mr. **Ford**. To respond to the point that Lois makes about the very important policy determination that you make automatically when you select the system and/or device, she points out that the presently used systems of this anomaly of seeming to advance the higher income family at the expense of the lower income family.

Mr. **Voigt**. When you look at the way systems are developed, it really is taking into account a whole number of things. It takes into account history, all of these systems do. What have we traditionally expected of families?

Second, no matter whether it's a uniform methodology developed by the community or a system that is developed and proposed by an administration, it takes into account some very hard realities of the dollars that are available.

Both systems tend to match in the view of those that are developing the dollars that are available both at the institutions as well as from the Federal level.

Third, it is based on a view by those who are involved in the policymaking on these systems of who should get the assistance.

The middle income bill is a very good example of the way that system and the way the curves for that system were developed. We looked at how high we wanted the grants to go.

It's part of the debate, and obviously that will be the most heated part of a debate. It would be who we want to be recipients of that assistance, and I think there are different views on this.

Mr. **Ford**. Would this be an annual process?

Mr. **Voigt**. Yes.

Ms. **White**. I would like to differ with Peter on one thing.

I think if you were to look at the uniform methodology and look at the funds available and look at the needs out there, the uniform methodology is trying to measure the ability of the student and his family to pay, and I don't think it is so adjusted such that when we get through we have taken care, with all the funds available, of all of the needs of the students.

Therefore, I think that the philosophies, the way that the procedure has developed, are two different approaches.

One of the things that I am particularly concerned about with respect to the need analysis proposals is section 494, which really deals with the calendar, the question of the dates by which the contribution schedule would be submitted, and the way it would eventually become final. It does not deal with the development. It does not deal with who develops it; whether it is developed within the Office of Education, or whether it is developed by a commission.

Now, I dealt with that specifically in my testimony, and I don't need to go in detail unless you have some questions, but I think that if this were to be mandated that it be very clear that input at the front end from all participants, the students, the institutions, the processors, and what have you, be included at the front end and that there be full opportunities for forms and discussion of these before they go to Congress, because under the present schedule with the basic grant contribution schedules, I am not aware that they are fully discussed before they are presented and put into regulations and that there is input into them.

We have a very short period in which to respond, and I would hate to see that happen, if we go to measuring ability to pay because the basic grant program is not really, as far as I am concerned, developed on the basis of trying to measure ability to pay.

Ms. Rice. I would like to be a little bit more responsive, if I can, to Congressman Weiss.

I have not been addressing, as some others today, general problems, strengths and weaknesses of the administration's proposals, but I am struck by how in almost every area which has been their responsibility delegated to the Commissioner by Congress, the administration is coming in and asking for mandates through statute.

I just would like to underline once again to Mr. Weiss a paragraph in which I say the confusion that the administration talked about today and last week is one that they created, and that it could go away with a stroke of a pen, by not using the current Basic Grants contribution schedule for the college campus based programs. That is what is causing the great confusion.

The schedules, BEOG's and the uniform methodology, are so widely divergent that a student going to one institution gets money under one system and another student in the same financial circumstances, at another institution, gets money under another system.

Some institutions are using the more liberal basic grant system as a way to compete for middle income students.

If we have one system it needs to be well-thought out, and I ended my testimony by saying that we should be happy to work further and develop some suggestions for such a system. We have been giving thought, at the college scholarship service, to something very similar to what Joel mentioned, to a body like the President's pay board that would set an ideal standard, and then it could be adjusted to meet fiscal realities. One could then determine how much to depart from that standard to meet the constraints of resources.

Mr. Weiss. To go back to the basic questions I asked then, is the conflict or apparent conflict between the testimony that you are giving and the testimony that Mr. Voigt was giving, that (a) if there is to be a uniform system, you don't think that it requires legislation, it could be done by regulation arrived at after consultation, and (b) that your complaint, if any, is not that there would be a single system but that there is, in fact, not a single system?

Ms. Rice. If we have a single system, it should not be budget driven. If we have a single system, we have to decide how it is going to be developed. Those are some of the problems I was raising. I would hate to see a system for the campus-based programs, and State, and institutional programs that is budget-driven.

Mr. Ford. You don't object to mandating the creation of a single system; you object to mandating without knowing how that is to be accomplished.

Ms. Rice. I also object to mandating a system without knowing what the system is. That is indeed difficult.

Mr. Ford. I don't interpret the recommendation to be that we mandate a specific system, but that we mandate that a system will be developed that provides a single needs-analysis for the campus-based programs.

Mr. Voigt. That is exactly right.

Mr. Butts. With congressional oversight.

Mr. Packer. Just on the issue of congressional oversight, I am not a lawyer, but from my reading of the language of the administration bill, the congressional review process of the system is different than what is in the current law on the family contribution schedule. It is more vague and weaker, in my opinion. That is section 494(2) (A) and (B) of the administration bill.

Mr. Ford. I assumed that they know the committee would be extremely reluctant to devise a different review process than that which we are just getting to use with some effect for regulations generally. You would have no reason to treat this kind of regulation differently for congressional review than other regulations?

Mr. Voigt. No, we would not. The only change and the reason the language is different, there is concern in the administration about the single House veto, and I think this process is intended to have the same kind of oversight and thorough congressional review——

Mr. Ford. I heard the President say in his press conference last night he didn't worry about single House vetos any more.

Mr. Blakey. That was not the policy at the time, but his testimony.

Mr. Packer. This is no longer operative, I guess.

Mr. Reeher. I am very much concerned that I don't hear the word State anyplace in all this discussion. There is roughly about $1 billion in State aid, and when we talk about a uniform system, the reason we don't have a uniform method today is because the people who are paying the bill don't all have the same objectives. You, the Federal Government, a different objective in the SSIG than you have in Basic Grants. The SEOG has different Federal policy parameters than the BEOG does. And I think if we were all spending the same dollar, we would have no trouble coming up with one system.

I just have trouble with our ever mandating that every institutional dollar and every State dollar and every Federal dollar will be driven by the same system. I think the Members of Congress would put themselves in a very inconvenient position if they established a Federal bureau, department, board, or whatever, that had the job of identifying for all institutions, all States, and all Federal programs what a parent must contribute, because when you define the contribution, you define the needy; you also define the unneedy, and you as a Member of Congress, would put yourself in the role of striking people from the New York program, or the Pennsylvania program, and I think this is a position that I would not want to put myself in if I were a Congressman.

Mr. Ford. Do you include SSIG in the——

Mr. Voigt. No, we did not. We recognize that there are different statements——

Mr. Reeher. Then we have to quit talking about one system.

Mr. **Voigt**. We are talking about a single system for all Federal programs.

Mr. **Ford**. You don't include the SSIG?

Mr. **Voigt**. No.

Mr. **Ford**. Does that take care of part of your problem?

Mr. **Reeher**. We are still going to have parents receiving a minimum of two computations of what their expected contribution is. What I am saying is, to say you are going to have a single system or to say you are going to have a single form and only talk about Federal aid, you can't do it because the States and colleges have some different policies for need and families in their target group.

Mr. **Ford**. We are talking about something a little different when we are talking about the single needs analysis and a single form. I think it is understandable to people that there is some State money and they want to give it to certain kinds of people, and there is Federal money, and they want to do something different with it, but what they can't understand is how you can be considered differently, as Lois points out, for the same Federal programs because of the systems that are used in two different schools. You may have a brother and sister going to two different schools, and they have two different methods and the family qualifies under one, but not under the other. Or it qualifies more under one than under the other, and that is where they get a little upset out there, saying what is the explanation. They could understand an explanation that came back from the financial aid director. You understand if you have a brother going to school in Pennsylvania, and you are going to school in Michigan, Pennsylvania has this much more money to give you, and this is how they give it out.

It is inconceivable to me that we could try to develop any kind of a single needs analysis for programs beyond the very narrow parameters of the specific Federal dollars.

Ms. **Rice**. Even for the Federal dollars in the campus-based programs, you don't need legislation. You've given the Commissioner authority to make that decision.

Mr. **Ford**. They say they need legislation because they don't now have the authority.

Ms. **Rice**. I hardly think that is the case.

Mr. **Voigt**. That is the case. We had the lawyers look at that.

Mr. **Ford**. Do you have a memo that gives the reasons why they don't think you have the legal authority that could be dealt with in terms of clarifying the legal glitches that exist instead of creating a new mandate?

Ms. **Rice**. It is very interesting, Mr. Chairman, that they set up very distinct rules that all of the systems they approve for use in the campus-based programs had to meet certain benchmark figures, and the uniform methodology is now the benchmark. OE is now breaking its own rules because the BEOG's system doesn't meet the benchmark figures they established.

I don't see why we need legislation.

Mr. **Butts**. Mr. Chairman, several years ago, when the need-analysis services suddenly changed their taxation rates during the course of the development of the uniform methodology, there was a tremendous debate and struggle that went on between OE and the services about their authority to do that, and the ultimate compromise, and I think much of the pressure came from the Hill was that OE should not specify a specific methodology but only very loose benchmarks to deal with this problem.

We have a situation today where, as Ms. Rice points out, we have two systems that ultimately are rationing devices, somebody has to decide what the tax rate will do. The administration proposal is saying in addition to consultation with the community and getting the best thinking, and so forth, that the Congress play a role in looking at the contribution schedule that is being used for the basic grants program as well as the other campus-based programs so we don't find ourselves in the kind of glitch we are in now, with the passage of MISAA, where a student might qualify and then be eligible for a basic grant, but turn out not to demonstrate enough need to get a work study job.

Mr. FORD. What I am having difficulty with at this point is trying to determine what is being advocated here is facilitating the existing power that Lois thinks you have and your lawyers think you don't have clearly spelled out, or whether we are, in fact, talking about a policy change. If you are not talking about a policy change, and if it is a matter of cleaning up some language that they think is ambiguous and doesn't give you the power, we will do the job. If you are talking about a policy change, looking at the specific technicalities that they are saying stand in your way——

Mr. VOIGT. I think, Mr. Chairman, we are looking at a policy change. We don't think that we have the authority to specify a need-analysis system for the campus-based programs. We obviously have such authority under the current basic grant legislation, and that is a question that has been debated, as Tom indicates at length, several years ago.

In that respect there is sort of a policy change. And the policy change being that we should establish a single system for use in all the Federal programs. That is currently not the policy, and according to the way we read the legislation, we don't have that authority.

Mr. FORD. Are we hung up here in a problem of contractors thinking they are going to be swallowed up?

Mr. VOIGT. In terms of the single need-analysis system, I don't think so.

There is one other point I would like to respond to, and that is Mr. Reeher. Both in terms of the use of a common form, as we do now envision a place on that form for State need, that exists on the core document at the moment, and in addition, in terms of the single need-analysis system, it is my understanding that only four or five States have their own need-analysis system. The others use, the vast majority of others use, the uniform methodology, admittedly changing some of the parameters, maybe some tax rates, to meet the State needs, and that kind of thing would still be possible and would obviously be encouraged under the implementation of a single need-analysis system and a single form.

Ms. WHITE. Peter, it is confusing to me to understand—I can understand why you have the basic grant system to allocate those funds, but under the campus-based program, you now have three methods that can be used—the income tax method, the basic grant method and the uniform methodology method. For the uniform methodology and any other method it must meet the benchmark test, which is a table of a variety of income and assets, what contributions must be and they cannot deviate substantially from that.

You allow the basic grants program to be used for campus-based funds; you allow the tax return method to be used. Why can't you eliminate those two systems? We have discussed that in the subcommittee. We have talked about going to legal counsel and eliminating those and just requiring the benchmark test, and then the uniform methodology would qualify and any other method that someone wishes to submit under the procedures that are established to qualify under that.

It is not clear to me why you must continue to offer the tax return method and the basic grants method.

Mr. VOIGT. To begin with, we do have the legislative authority to use benchmarks, and we don't think we can go beyond that. Under the use of the benchmarks, which are very limited in scope about what they control, there can be still substantial differences, and there are among many institutions who have their own system in the outcome that the students get.

Second, the use of the basic grant system when the middle income bill passed, there was a great debate, both within the administration and with Congress, and certainly with staff members at times, about using the basic grants result for determining need in other programs, and we were very strongly encouraged to continue to permit the use of the basic grants system for two reasons.

One is it was felt by staff members, certainly, that the people made newly eligible by the MISAA changes in the basic grants system should also be eligible for other assistance as well, and where the institutions wished to use that system, they should be able to do so.

Second, there are a number of schools already who use only the basic grant system for determining both campus, institutional, as well as the basic grant assistance.

We did not want to remove the capability of those institutions to use that system because their students are getting their information free, and there may be a lot of other reasons why they went to the basic grant system. I think in either case we need some legislative authority to go beyond the benchmarks and to set up a system that would be used for Federal programs.

Ms. WHITE. Let me suggest that you can do what I think you want to do, or maybe you don't want to do what I think you want to do. What you first want to do is to eliminate the use of the income tax system, and I think you can eliminate that by dropping it from the regulation. Nobody uses it, anyway. Then the Office of Education should work very closely with the Coalition and its Uniform Methodology Subcommittee to develop, to change the uniform methodology, to bring it closer to where you can use it as a measure of need that you can use for the basic grant system, but by managing the basic grant system in such a way you can allocate funds that would meet your needs.

In other words, I am saying you can use the same need-analysis system to allocate funds in a variety of ways, so that you could have one system—in other words, your need can be the same, your ability to pay can be the same under a variety of programs, but the amount of the basic grant that you get is regulated by the amount of funds that are available. So that you don't—you see, what you are saying to me is that you want to measure need under two systems. You would always have to measure need under two systems, and I think there is a way to use one system to measure the need under all programs, but the way under the eligibility requirements and other things, you can fund differently from a variety of programs, and then we can always go back and do something in terms of the benchmarks.

But I think the whole question of the eligibility and the rationing under the basic grant programs can be handled differently.

Mr. **Voigt**. The way I see it, I don't think we have any disagreement. I think what we are proposing is to say we use the same system for determining what the level of family contribution is. The award process is obviously different for campus based, as it is for basic grants. The way the costs are determined would be different, and we end up with the same family contribution for both systems; obviously the payment system is different for various programs.

I don't see, though, however, where this ties in with the use of the benchmark approach, where you still don't get that. And in either case, once the systems are the same, they are subject to congressional approval unless Congress is willing to give up its authority to review the basic grants system which I don't think is likely; otherwise, the end result is the same.

Mr. **Ford**. I would suggest that you submit to us the specific rationale for why you think you need additional legislative authority to respond to an appeal that is very appealing to me—that Lois makes—that you can do it now. If there is a reason why there is something more than just clearing up this statutory impediment, it doesn't appear in either the Secretary's testimony or in the legislative language that we have here now. You don't yet justify in the face of this kind of reaction making a change.

Mr. **Voigt**. We will be happy to get that, Mr. Chairman.

Mr. **Ford**. Mr. Weiss?

Mr. **Weiss**. Have you answered the question that Ms. Rice poses at the top of page 7, which is that the administration did not explain last week why it chooses not to mandate the uniform methodology for campus-based programs?

Mr. **Voigt**. That is basically the question of legislative authority. We do not think we have the necessary legislative authority to specify that.

Ms. **Rice**. You are asking the Congress, however, to give you the power to mandate a system, without knowing what the system is. We should know what system you have in mind, and whether it is going to be rigid, inflexible and budget driven.

Mr. **Weiss**. Are you saying that you would, in fact, impose or mandate the uniform methodology if you had the authority to do it?

Mr. **Voigt**. No, we are not saying that.

Mr. **Packer**. In effect, you are saying that we won't have either the basic grant family contribution schedule or the uniform methodology; it will be one new system that will strive to meet the needs of both the existing systems producing one formula, one result, and try to create some rationale in this whole thing.

Mr. **Ford**. They tried to reach Lois' concern with this hybrid kind of congressional review which theoretically is where she gets one of her shots at where it is going to be.

Mr. **Packer**. We agree there should be consultation, but we should set up the single system, some type of formalized commission, or mandating in law that there be formalized input from the different constituencies so that it doesn't become just HEW calling all the shots.

Mr. **Ford**. Why don't we just change it all around and do what we have done in the past and mandate the Commissioner of Education to present by 1 year from the effective date of this legislation a proposed system of uniform methodology to the Congress. You report back to us with your proposed uniform methodology at the end of a year, and that is the easy way to guarantee everybody if we don't then do anything with it, you can keep on operating the way you are.

That is a hedge against the possibility that you will have to throw something together just to meet our mandate to have it uniform. Instead of requiring that you have it a year from now, we mandate you come up with something in a year, and if you haven't come up with it, we obviously won't put it in effect.

Ms. **Rice**. If I could still raise a caution on that in a policy sense, Mr. Chairman, the Commissioner now has the power, as I said earlier, to determine what system will be used with the campus-based programs.

Mr. **Ford**. You mean the Commissioner, whoever he or she may be.

Ms. **Rice**. But the main concern is that this might well turn out to be, if it comes from HEW, like the BEOG system—a rationing device.

Mr. **Ford**. Then we just won't do it. But you come up with the rationale first, and we will look at that. Then one possible out is to direct you to develop a uniform system and submit it to us by some definite cutoff date. If you are able to do that and satisfy the two congressional committees, everything is fine. If you are not able to do it, we won't be in the uncomfortable position of having a mandated system that you had to slap together in the last minute to meet our deadline.

Ms. **White**. You might require that it have the input of the wider community.

Mr. **Ford**. I suspect that they have the idea that that is a good way to get it through the committee.

Ms. **White**. Thank you.

Mr. **Ford**. Mr. Weiss, do you have further questions?

Mr. **Weiss**. No, thank you, Mr. Chairman. I am as confused for the day as I want to be.

Mr. **Ford**. Do you have some questions for Mr. Buchanan?

Mr. **Clohan**. I have one for Mr. Ashbrook and one for Mr. Buchanan.

First the USSA recommended that a commission be established to do the need analysis and maybe even the single form. You were saying that the Coalition right now does not have the legitimacy. What would be the practical effect of the Commission? What would be the problems? What would be the difficulties in dealing with the problems that now exist between BEOG analysis and the uniform methodology subject to congressional review?

Mr. VOIGT. Basically I think that is really the key, being subject to congressional review. It is our feeling that obviously we do want and we will have to have input, substantial input, from the community in developing any such system. Whether it is better done by a commission, or whether it is better done within the administration is a question. Our feeling is that the development would be better done within the administration. But the key is the congressional control and the congressional review of that process.

Mr. CLOHAN. One of the criticisms in developing the single form this year was, although the administration asked for advice along the way, the decision was ultimately made out of hand, and you decided to go forward even with the problems of risk that the community said would occur. I am not making a value judgment on whether you are right or wrong, but I am saying perhaps those types of decisions could be made by a legitimate group, including the involvement of the Office of Education, of course.

Mr. VOIGT. When you look at questions of need analysis, I think the situation is slightly different in that there is always this theory, which I believe very strongly as a theory, that what we are measuring under one system is the ability to pay. I think that is a definite nonworkable theory when you simply compare different income levels or different living standards and different costs across portions of the country in any single system.

Second, it always becomes a value judgment by someone about how much a family should contribute to postsecondary education. I don't think in any of these instances we are looking at the ability to pay in any real sense of the word. There is no way to measure that. It is a value judgment of how much the country, the people who are putting up the money, feel that families should contribute to the education of their children.

As a result of that, you end up with a somewhat different kind of decisionmaking process. And in many respects this set of programs is different from any other programs in the need analysis area as well in that you have in the large measure the users determining who gets the money and how it is distributed simply by the way the curves are shaped, and our feeling is that is a governmental matter which ties into how much money is available and how much money the Congress and the administration are willing to put up for student financial aid.

Ms. RICE. If I might add a footnote, the administration made these proposals, as I noted in my formal testimony, in the hope they could allay some of the current confusion. We could have as Ken mentioned earlier—a needs analysis prescribed by the Congress for Federal moneys. But there are other moneys out there, and the confusion is going to be that a parent is going to be eligible for a SEOG, let's say and have a family contribution of one amount, but if he is getting, in addition a grant from Yale University, or a grant from the State of Pennsylvania, there is another parent's contribution, so the family is still confused.

Also as I noted. in the great State of New York, which has a simple system for distributing its grant programs moneys, it's unlikely New York is ever going to move to something different or more completed, so the confusion is going to be increased rather than allayed in New York State and others.

Mr. Voigt. May I respond to that? If we eliminate a couple of systems, even with national merit, and a few State agencies that still have their own system, we would still be eliminating at least two major systems for determining family contributions. I don't see how the confusion could be increased, particularly, if we leave the authority for States and institutions and distribute the money the way they see fit.

Ms. White. On that point, I agree with you. Moving to one system makes sense, but I am hearing something a little different from you now in that you want the administration to develop a system, and it sounds as if you feel there is no way to measure ability to pay and therefore it would be a rationing device of Federal funds, and then when you move to the institutions or the States, they would have their own needs analysis system to distribute their funds.

Now, one of the problems you have now, or one of the situations you have now, that would impinge upon that, it seems to me, is that in the regulations now at the institutions we cannot overaward students with a combination of the Federal funds and institutional funds based on whatever needs analysis system we use—the uniform methodology—and we move away from that and to a rationing system, under the present situation we would have to use your system for all of our funds unless you were to change the regulations with respect to overawarding.

So I am hearing something very different in terms of this system. While I was supporting this system, whatever it may be in concept, just a moment ago, I am beginning to think I don't support it, because I am not sure you are developing a system to measure the ability to pay, but rather to ration Federal funds.

Mr. Voigt. Let me begin by just reciting one little item.

I have sat at too many Uniform Methodology Subcommittee meetings, and we go through these long explanations and reviews about how we treat assets and income, and then we say, let's see what the bottom line is and what the family contributions look like.

We are dealing in either case with a rationing device, one way or the other.

I don't see if we have a single system rather than two systems why any regulations on overawarding would have to be changed. The process would operate as it does now.

Second, it is certainly my fervent hope that we can come up with a system that the vast majority of the student aid community can live with. It won't go through the Congress if they can't.

I really don't see what the problem is here.

Mr. Packer. Under your proposal would not the financial aid officer still have the flexibility on the campus to alter the expected family contribution based on other data or information that he or she might have?

Mr. Voigt. No doubt about it, that that authority would still remain.

The aid officer has to be in a position of making individual adjustments to student awards based on their circumstances.

There is nobody else in the whole system who can deal with these kinds of problems.

Mr. Clohan. In the 1976 amendments to the SSIG program there was an amendment which would require all nonprofit institutions to participate in the State grant program in order for the State to be eligible. Last year, the law was amended to provide an exception for constitutional restrictions on providing State aid to certain students attending certain institutions.

In States such as Ohio, Iowa, and Michigan, there are quite a few types of institutions whose students cannot get State aid. Mr. Reeher what problems result from the 1976 amendment?

Mr. Reeher. Well, it resolved a number of problems, constitutional, but there are both State legislative and administrative policy problems in the SSIG.

I think our recommendation to your committee was that you accommodate any State legislation that was in effect October 1, 1978, or prior, and the idea being there that you would not intrude on State policy up to that point, and you would have a guarantee that States could not rush in new State legislation to exclude other groups.

Some of the problem is sectarian, and some of it is related to State legislation that will not allow aid to go to private institutions.

I think some of the States' positions are built on the idea that there is a subsidy of public institutions and the grant program ought to be geared to other State objectives.

I don't recall offhand, but I can supply the committee with what the specifics are State by State where there is a legislative problem.

Mr. Ford. Well, one thing that is not clear: the 1976 amendment has been brought to my attention by the proprietary schools who felt that by specifying that private, nonprofit schools would participate, we were excluding proprietary schools even in those areas where the proprietary schools were not otherwise excluded.

Is this the problem John is trying to get at?

Mr. Clohan. No; not particularly. It really deals with all types of schools.

The problem is that States exclude quite a few sectors, particularly allied health programs and sectarian institutions yet under SSIG, but because they don't have a constitutional prohibition against it, they have to use alternative matching in order to continue in the SSIG program.

What happens is those institutions put up the money to match the Federal Government 50-50, and proprietaries are excluded in quite a few States. As a matter of fact, in about three-quarters of the States, from State aid, but in those States that do not exclude them from State aid there should not be any problem with proprietary students receiving SSIG money.

Mr. Ford. I am at a loss to know what kind of school in Michigan is disqualified for student aid other than a divinity school.

Mr. **Clohan**. According to a table I have here from ECS, hospital schools of nursing, allied health programs and the sectarian institutions.

Mr. **Ford**. Hospital schools of nursing operated by whom?

Mr. **Voigt**. By hospitals.

Mr. **Reeher**. They also have short correspondence programs, computer schools.

Mr. **Clohan**. The nondegree programs.

Mr. **Reeher**. The nursing is cut out in a number of areas, and the profitmaking schools have been cut out legislatively in a number of States.

Mr. **Clohan**. In Ohio, the State law precludes vocational and job training programs and also 1-year hospital programs in fields like X-ray technology. But under the Federal definition of institutions of higher education, in order for a State to particiapte in the SSIG program, they must make State aid available to those types of institutions. The Office of Education permits the institution to match instead of the States as an alternative.

Have we met that problem face on or are we just avoiding it by providing an out?

In some States I understand that if there is a statutory prohibition, but not a constitutional prohibition, the State attorney general can say that statute is based on their State constitution, and therefore avoid the 1976 amendment requirement.

Mr. **Voigt**. I am not really up totally on that bill, and let me check it out.

Mr. **Ford**. I want to see one of those attorney general's opinions that says that the legislature passed a statute which is being enforced that is not based on a State constitution.

Mr. **Voigt**. The only ones that are complied with are those in court on constitutional grounds.

Mr. **Reeher**. I believe that whole practice of alternate matching went back to the initial year; Delaware, for example, did not have a program, and so they took the Federal money and also took in institutional money to provide the necessary match in order to get going, and there was a real problem in Ohio.

In fact, Ohio threatened to drop out of the program at one point and they may be one of the States that provided the attorney general's opinion that their State legislative prohibition is based on the constitution, so they are in compliance.

Mr. **Clohan**. What would be the problems if the statute were changed to, regarding the SSIG program, use the State definition of institutions of higher education instead of the Federal definition?

Mr. **Reeher**. Well, we would support that, but the immediate response we had when our organization suggested that was that the States had messed up vocational education when they got some authority like that, and they didn't want the States to do it with this SSIG program.

I think the recommondation that our association has put before you to permit the State restrictions that were in effect prior to October of 1978 would take care of our concern. It would take care of the committee's concern that States might begin to set up special groups that they would keep out.

Mr. **Clohan**. Is that in your testimony on page 24?

Mr. **Reeher**. Yes.

Mr. **Ford**. Let's look at that and see what we can find.

Anyone else have anything to add?

Let me thank you for your patience and perseverence. I wish I could get more committee members to discover how complex this problem is, even when it looks simple.

I appreciate very much the very frank exchange that has taken place here. I think this is a good way to get us all thinking about what the problems are with the perspective of those who disagree out on the table rather than coming at each other with separate kinds of proposals rigidly adhered to.

I hope that on the basis of this kind of exchange we can all take a look, particularly the Office of Education, at the criticisms and the questions that are raised, and see if they warrant any kind of a change in recommendation, because we are not talking about really serious policy differences, as I can discern it.

We have been talking more about methodology here today than anything else, and I am encouraged by the optimistic belief that we can work out the differences without too much trouble.

I see Mr. Blakey is sitting back there nodding his head, since he is going to draft the masterful piece of language that is going to solve all of our problems.

I am glad to see he is satisfied.

Thank you, again.

We will stand in recess until Tuesday morning at 9:30 for the purpose of considering the grants programs further.

[Whereupon, at 1:10 p.m. the Subcommittee on Postsecondary Education recessed, to reconvene Tuesday, July 31, 1979, at 9:30 a.m.]

[Material submitted for inclusion in the record follows:]

NASFAA Federal Monitor

NUMBER 21

Summary
of
Surveys on the Common Form
and
Final Copy of OE's
Form and Instructions

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS
910 Seventeenth Street, N.W., Suite 217 Washington, D.C. 20006 (202) 785-0453

We wish to thank J. Douglas Conner, executive director of AACRAO, and Evelyn M. Yeagle, vice-president, Government and Interassociation Relations Committee of NACAC for sharing the results of their surveys with us.

NA$FAA
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS
910 Seventeenth Street, N.W., Suite 217
Washington, D.C. 20006
(202) 785-0453

Dear NASFAA Member:

In early May a questionnaire was mailed to approximately 1,600 NASFAA member institutions in an attempt to solicit reactions to the new simplified student aid application form which will be required by HEW for use by the Multiple Data Entry processors during the 1979-80 processing year.

Surveys also were done by the American Association of Collegiate Registrars and Admissions Officers and the National Association of College Admissions Counselors. This Monitor contains some of the highlights of the three surveys.

The survey results were presented to the Office of Education at the May 31st meeting of the Coalition for the Coordination of Student Financial Aid. At that meeting, OE agreed to review the survey results prior to finalization of the form. The final copy of the application form and instructions is also included in this Monitor.

We would like to thank all our members who participated in the survey.

Sincerely,

Joyce Dunagan

Joyce Dunagan
Editor

SUMMARY OF NASFAA SURVEY RESULTS

Questionnaires were mailed to approximately 1,600 NASFAA member institutions. By May 30, responses were received from 575 (36%) institutions.

In response to the question, "In you opinion, can you use the enclosed OE draft form to administer your student aid programs without requiring any supplemental forms to obtain additional information?" 146 institutions (25%) responded "yes." The 146 institutions stating they would be able to use the form without a supplemental include:

61 (42%)	private institutions;
43 (29%)	public institutions; and
42 (29%)	proprietary, graduate/professional, or vocational/technical institutions

429 institutions (75%) stated they would not be able to use the OE form without a supplemental form. These institutions included:

196 (46%)	public institutions;
195 (45%)	private institutions; and
38 (9%)	proprietary, graduate/professional, or vocational/technical institutions

The following chart itemizes the data elements listed most frequently by the 429 institutions stating a need for additional information.

	All Inst. Responding (429)	Public Inst. Responding (196)	Private Inst. Responding (195)	All Others* Responding (38)
Parent's name, occupation	190 (44%)	90 (46%)	91 (47%)	9 (24%)
Student's living plans (on/off campus, with parents)	189 (44%)	98 (50%)	80 (41%)	11 (29%)
Other institutions attended and aid received	180 (42%)	107 (55%)	61 (31%)	12 (32%)
Listing of siblings, their ages and schools attended	171 (40%)	62 (32%)	101 (52%)	8 (21%)
More detailed information on student and/or spouse	150 (35%)	86 (44%)	58 (30%)	7 (18%)
More detailed asset information	142 (33%)	57 (29%)	78 (40%)	6 (16%)
Additional information on divorced parents	136 (32%)	50 (26%)	79 (41%)	5 (13%)
More detailed income information	133 (31%)	47 (24%)	80 (41%)	6 (16%)
Type of aid requested	127 (30%)	75% (38%)	44 (23%)	8 (21%)
Enrollment status (full/part-time)	121 (28%)	54 (28%)	58 (30%)	9 (24%)
Sex/race	110 (26%)	54 (28%)	47 (24%)	9 (24%)
Phone number	81 (19%)	36 (18%)	42 (22%)	3 (8%)
Student's summer earnings itemized	82 (19%)	40 (20%)	38 (19%)	4 (11%)
Parents deceased?	57 (13%)	19 (10%)	34 (17%)	4 (11%)

*Proprietary, graduate/professional, and vocational/tehcnical

A few of the comments received from NASFAA members include:

"Color coding is good."

"It is difficult to read the numbers written in the dark green area."

"The color coding system could be a serious problem for color blind students or parents."

"Many of the questions are worded in such a way as to take for granted the assumption that the person completing the form is going to continually refer back to the instructions for that particular item. That is merely an exercise in wishful thinking."

"A single national form is an admirable objective. Yet, it should not be implemented, at the earliest, before the 1981-82 application year."

"I applaud the effort to simplify the application process and to minimize the information used (abused???) by a few schools to ration financial aid."

"We do not object to the concept, but we do object to the haste in which the implementation has been conceived and developed."

"I question the wisdom of making such a significant change without some major field testing of the program beyond that which appears to be the plan at the present time. Private business would certainly not go into a major project or system without more testing and study."

"States and academic institutions will need time to revise their computer programs to handle the new form. Time is needed to adjust publications so the applicant populations are not flooded with confusing, conflicting instructions."

"The streamlined application gives us virtually no means of determining the credibility or reasonableness of the dollars reported."

"We cannot see how the proposed forms are going to promote integrity of managing federal financial aid programs; rather, the opposite is happening."

SUMMARY OF AACRAO SURVEY RESULTS

The American Association of Collegiate Registrars and Admissions Officers surveyed its members regarding the impact of the single, simplified form on their institutional calendar.

Surveys were mailed to 603 institutions, and 153 usable responses (25%) were received.

The results of the survey are as follows:

59% (91) of the respondents stated the questions on the simplified OE form were not sufficient for their institution's need analysis form.

69% (107) stated they would need to use a supplemental form.

73% (111) stated their institution had already developed the various catalogs, brochures and applications for use in the 1979-80 processing year.

44% (67) stated their institutions would have to reprogram or alter their processing and certifying procedures based on the new application.

63% (96) stated implementation of the new form during the 1979-80 processing year would create processing problems for them.

16% (25) of the institutions indicated the new form would not meet their admission application refund deadlines and 22% (33) stated it would affect their housing application deadlines. In addition, 12% (18) responded that it would affect their ability to comply with the April 15 candidates' reply date.

SUMMARY OF THE NACAC SURVEY RESULTS

The National Association of College Admissions Counselors distributed copies of the proposed application form and instructional booklet to 847 guidance directors throughout the U.S. Counselors were instructed to read through the materials and assume they were completing the form. In addition, counselors were asked to field test the proposed financial aid application process with students and parents.

The sampling was much larger than the 233 returns as many guidance directors included their staff in the field test as well as several parents and students. Each return contained a summary of the reactions by parents, students, and counselors. Thirty-six states are represented in the survey. Most reactions were identified by specific item within the form and booklet.

In response to several questions pertaining to the financial aid process for the present school year (1978-79 processing year), the following statistics reflect answers from the 233 guidance directors answering the survey.

67.8% indicated that they did not have any difficulties with the present financial aid form and/or system.

31.7% indicated that the present system did present difficulties to them as a high school counselor.

- 21% indicated it was the result of the processing calendar
- 20% indicated it was the result of the instructions
- 15% indicated it was the result of the form itself

51.5% indicated that the present financial aid form and/or system presented difficulties to the parents.

- 33% indicated the difficulty was caused by the instructions
- 23% indicated the difficulty was caused by the processing calendar
- 27% indicated the difficulty was caused by the form

52.4% indicated that students/parents received their financial aid award package before required deposits.

34.3% indicated that deposits were required before students/parents received awards.

65.2% indicated that they still had students/parents waiting for notification of financial aid award after May 1, 1979.

Other general comments received from the 233 returns include:

Many expressed concern regarding the change. There have been too many changes in the task. The system has been very confusing. Many parents and students are just beginning to understand.

Everyone stressed one common form.

One form is superior to previous multiple forms.

Plan information sessions for counselors and request that the superintendents and building principals release the counselors to attend.

Many requested an earlier distribution and processing. Counselors, students, and parents are having to submit admissions deposits or housing deposits and do not know awards.

Proposed changes are aimed at simplification to the point of oversimplification. It is ironic that our government insists that all citizens (regardless of educational level) complete a complicated tax form, but insists that a form for college-bound students be so simple that the opportunities for unequal distribution of funds are boundless.

Modification should be minor. Parents, students, and counselors are becoming familiar with the present system. Any change would mean more confusion.

Many expressed use of prior data in order to have forms processed earlier.

It appears that BEOG will go with its own form and the FAF, FFS, and state scholarship agencies will move their own direction, leaving the counselor and parents with multiple forms.

The new form is so simple that it precludes necessary financial data for evaluating financial aid packages by the college. The colleges have to supplement their own forms in addition to the proposed new form by the Office of Education. More confusion...more forms.

The system of waiting until January 1 for filing seems to be getting clear to parents.

It is difficult to have all income tax information completed and the forms completed and analyzed by some of the deadlines colleges and state scholarship agencies impose.

Earlier notification of awards is needed. Students are making decisions that are forced by lateness of the award packages.

End of November distribution of FAF forms to high schools creates "PR" problem. Parents and students think the guidance counselors are lax regarding financial aid.

Parents received multiple SERs. Sometimes the reflected data was different and the instructions are not clear as to what steps to take to rectify the situation.

Students confused SER instructions to take it to their school. Many brought it to their high school counselor.

Much concern in delay in state scholarship award packages.

Instructions of FAF and FFS too small. Parents had much difficulty interpreting and understanding it.

Instruct parents to make a copy before filing or mailing.

Not enough room for explanation of unusual circumstances.

Earlier distribution of forms gives the high school counselor more time to discuss financial aid forms with parents and answer their questions.

Present processing calendar conflicts with counselors' work at the change of semester. Consequently, many parents do not receive adequate assistance with completion of form.

Basic Grant Application Form

1980-81 School Year

Warning If you use this form to establish your eligibility for federal student aid funds, you should know that any person who makes false statements or misrepresentations on this form is subject to a fine or to imprisonment or both, under provisions of the United States Criminal Code

Read instructions carefully as you fill out this form

Section A Student's Information

1 Student's name — Last — First — MI

2 Student's permanent mailing address (see State Code list, page)
Number and Street
City — State Code — Zip Code

3 Student's social security number ___-__-____

4 Student's date of birth — Month — Day — Year

5 Student's State of legal residence — State Code

6 The student is (a) ☐ a U.S. citizen
(b) ☐ an eligible non-citizen (see instructions)
(c) ☐ neither of the above (see instructions)

7 The student is ☐ unmarried ☐ married ☐ separated

8 Student's year in college during 1980-81
☐ 1st (freshman) ☐ 4th (senior)
☐ 2nd (sophomore) ☐ 5th (undergraduate)
☐ 3rd (junior) ☐ graduate or professional (beyond a Bachelor's degree)

9 Will the student have received a Bachelor's degree by July 1, 1980?
☐ Yes (see instructions) ☐ No

10 During the 1980-81 school year the student wants financial aid from
Month — Year to Month — Year

Section B Student's Status

Read the instructions to find out who counts as the student's parent before you answer 11, 12, and 13

		Yes	No		Yes	No
11 Did or will the student live with the parents for more than six weeks	in 1979?	☐	☐	in 1980?	☐	☐
12 Did or will the parents claim the student as an income tax exemption	in 1979?	☐	☐	in 1980?	☐	☐
13 Did or will the student receive more than $750 worth of support from the parents	in 1979?	☐	☐	in 1980?	☐	☐

If you answered "Yes" to any of the questions in Section B you must fill in the green shaded answers

If you answered "No" to all 6 questions in Section B you must fill in the gray shaded answers

Section C Household Information

Parents
If the student has a step-parent, read the instructions before going on.

14. The parents' current marital status is
☐ single ☐ divorced ☐ widowed
☐ married ☐ separated

15. The age of the older parent is

16. The parents' State of legal residence is — State Code

17. The total size of the parents' household during 1980-81 will be (Include the student, parents, and parents' other dependent children. Include other dependents if they meet the definition in the instructions.)

18. Of the number in 17, how many will be in college during 1980-81? (Include persons who will be enrolled in college at least half-time.)

Student (and Spouse)

19. The total size of the student's household during 1980-81 will be (Include the student, spouse, and student's dependent children. Include other dependents if they meet the definition in the instructions.)

20. Of the number in 19, how many will be in college during 1980-81? (Include persons who will be enrolled in college at least half-time.)

Section D Income and Expense Information

	Parents	Student and Spouse
21 A 1979 U.S. income tax return has been filed or will be filed	☐ Yes ☐ No	☐ Yes ☐ No
If you answered "Yes" to 21, go to 22. If you answered "No" to 21, skip to 28.		
22 The 1979 U.S. income tax return figures are (see instructions)	☐ from a completed return ☐ estimated	☐ from a completed return ☐ estimated
23 1979 Total number of exemptions claimed (Form 1040, line 7 or 1040A, line 6)		
24 1979 Adjusted gross income (Form 1040, line 31 or 1040A, line 10)	$ .00	$ .00
25 1979 Total U.S. income tax paid (Form 1040, line 47 or 1040A, line 13)	$ .00	$ .00
26 1979 Total itemized deductions (Form 1040, line 33 or write "0" if deductions were not itemized)	$ .00	$ .00
27 Expected 1980 adjusted gross income (see instructions)	$ .00	Skip to 28

Section D *(continued on other side)*

Section D Income and Expense Information

	Parents		Student and Spouse	
28 Income earned from work by	a Father	$ .00	a Student	$ .00
	b Mother	$ .00	b Spouse	$ .00
29 Nontaxable income a Social security benefits		$ .00		$ .00
b Other nontaxable income (child support, welfare, etc. see instructions)		$ .00		$ .00
30 Medical and dental expenses not paid by insurance		$ .00		$ .00
31 1979 Elementary, junior high and high school tuition paid (Do not include tuition paid for the student.)		$ .00		$ .00
32 Expected 1980 nontaxable income (see instructions) a Social security benefits		$ .00		**Skip to 34**
b Other nontaxable income (child support, welfare, etc.)		$ .00		
33 **Student's (and spouse's) total 1979 income minus U.S. income tax paid (see instructions)**		$ .00		

Section E Asset Information

	Parents		Student and Spouse	
	What is it worth now?	**What is owed on it?**	**What is it worth now?**	**What is owed on it?**
34 Cash, savings, and checking accounts	$ .00		$ .00	
35 Home	$ .00	$ .00	$ .00	$ .00
36 Other real estate and investments	$ .00	$ .00	$ .00	$ .00
37 Business and farm	$ .00	$ .00	$ .00	$ .00
38 **Student's (and spouse's) savings and net assets**	$ .00			

Section F Student's (and Spouse's) Estimated Income

All students must fill out Sections F and G

July 1, 1980 – June 30, 1981

39 Social security benefits (Include only the student's benefits.) Amount per month $ .00 Number of months ☐☐

40 Veterans educational benefits (Include only the student's benefits from the G.I. Bill and Veterans or Dependents Educational Assistance Programs.) Amount per month $ .00 Number of months ☐☐

41 Other nontaxable income of student (and spouse) (Do not include student aid.) Amount for year $ .00

	Summer 1980		1980-81 School Year	
42 a Student's taxable income (Do not include student aid.)	3 months	$ .00	9 months	$ .00
b Spouse's taxable income (Do not include student aid.)	3 months	$ .00	9 months	$ .00

Section G Institutions, Release, and Certification

43 Student's college for the 1980-81 School Year (see instructions)

1 ____________________ BEOG use only
Name of school ☐☐☐☐

____________________ ☐☐
City State Code ☐☐☐☐

2 ____________________ ☐☐☐☐
Name of School

____________________ ☐☐ ☐☐☐☐
City State Code

44 I give the Basic Grant Program permission to send information from this form to:

a The financial aid agency in my State ☐ Yes ☐ No

b The colleges I listed in question 43 ☐ Yes ☐ No

See the instructions. If you leave (a) or (b) blank, we will assume your answer is "No." If you answer "No" to (a), your State aid may be delayed.

45 **Certification**

All the information on the form is true and complete to the best of my(our) knowledge. If asked by an authorized official, I(we) agree to give proof of the information that I(we) have given on this form. I(We) realize that this proof may include a copy of my(our) 1979 U.S. or State income tax return. I(We) also realize that if I(we) do not give proof when asked, the student may not get aid.

Sign ____________________ ____________________
Student Student's Spouse

____________________ ____________________
Father Mother

Date Completed ☐☐ Month ☐☐ Day ☐☐ Year

You can use the form in this booklet to apply for a 1980-81 Basic Educational Opportunity Grant (Basic Grant). It is not a loan, so you do not have to repay it. A Basic Grant is money to help you pay for your education after high school. To get a Basic Grant, you have to meet certain requirements.

A 1980-81 Basic Grant can be used for going to school between July 1, 1980 and June 30, 1981. In 1980-81, the amount of a Grant will be between $200 and $1800. The actual dollar amount of your Basic Grant depends on:

- your eligibility index number
- whether you are a full time or part time student
- how much it costs to go to your school
- how long you will be enrolled between July 1, 1980 and June 30, 1981

The following are answers to questions you may have about Basic Grants.

Who can get a Basic Grant?

You can get a Basic Grant for 1980-81 if all these things are true:

1. You show that you have financial need – your education costs more than you can pay.
2. You are a U.S. citizen or an eligible non-citizen. (See page 00 for a list of eligible non-citizens.)
3. You do not have a Bachelor's degree.
4. Both your school and your program of study are eligible – that is, they meet the requirements of the Basic Grant Program. (If you want to know whether a school or a program is eligible, contact the financial aid office at that school.)
5. You will be going to school at least half time.
6. You have received no more than four full years of Basic Grant payments. (For exceptions see question 8, page 0.)

I've already filled out a different student aid form. Do I have to fill out this one too?

Maybe not. There are other forms you can use to apply for a Basic Grant.

—
—

Each of these forms has a box for you to check if you want to apply for a Basic Grant. If you checked that box, you have already applied for a Basic Grant and you do not need to fill out this form.

How do I get a Basic Grant?

1. If you have not already applied for a Basic Grant with one of the other forms, to get a Basic Grant, you must fill out this form and send it to the Basic Grant Program.

   We must receive your form before March 15, 1981, **but the sooner you send it in, the better.**

   It doesn't cost you anything to apply for a Basic Grant.

2. Within six weeks after you mail your form, we will send you a Student Eligibility Report (SER).

   If you do not get a SER in six weeks, write to:

   BEOG
   P.O. Box V
   Iowa City, Iowa 52243

   Give your name, address, social security number, and date of birth and ask for another copy of your SER. Be sure to tell us if your address has changed since you sent in your application.

3. When you get your SER, read both sides of it carefully and follow all the directions. On the SER, there will be a number called an eligibility index. We figure this number from the information you give us on your application. It helps decide whether you can get a grant – and if so, how much. The lower the number, the higher the award.

   For information on how we calculate your eligibility index, write to: BEOG, Box 84, Washington, D.C. 20044. Ask for a copy of the "Determination of Basic Grant Eligibility" booklet for 1980-81.

4. As soon as possible, take or send all copies of your SER to the financial aid office at the school you attend or plan to attend. If you are eligible, the school will figure out how much money your Basic Grant will be.

   If you are considering more than one school, you should keep the original SER and send a photocopy of the SER to each school.

   As soon as you decide on a school, you will have to submit the complete three-part SER to the school's financial aid officer.

5. Your school will handle the payment of your Basic Grant – by subtracting the amount from your bill, by giving you a check, or by using a combination of these ways. (If you have questions about the amount of your grant, or about the way it is paid to you, contact your school's financial aid office.)

What if my financial situation changes?

You need to know about the Supplemental Form if your financial situation has changed in one of the following ways:

1. A parent or spouse earned money in 1979, but has been completely out of work for at least 10 weeks in 1980.
2. A parent or spouse earned money in 1979, but has been unable to earn money as usual for at least 10 weeks in 1980. This must be the result of either a disability that happened in 1979 or 1980, or a natural disaster that happened in 1980.
3. You worked full time (at least 35 hours a week) for at least 30 weeks in 1979, but you are not working full-time now.
4. You, your spouse, or a parent got non-taxable income in 1979, and lost this income in 1979 or 1980.

Non-taxable income includes

- Unemployment benefits
- Social Security benefits
- Welfare benefits

5. You have already applied for a Basic Grant and since that time, you or your parents have gotten divorced or separated.

6. You have already applied for a Basic Grant and, since that time, a parent or spouse who was getting income has died.

If you are in one of these situations, you should fill out a Supplemental Form. The Supplemental Form asks about all the income and expenses you expect to have in 1980. You can get a Supplemental Form from a high school counselor, from a financial aid office, or from BEOG, P.O. Box 84, Washington, D.C. 20044. When you get a Supplemental Form, follow the instructions that are on the form carefully.

Deadline: The Supplemental Form must be received by March 15, 1981.

What other kinds of aid can I get?

For most students, financial aid begins with a Basic Grant. But it does not have to end there. The Basic Grant is meant to be the "floor" of student aid. Other aid, such as other grants, loans or work-study jobs, may be added to your financial aid package. Some of these other kinds of aid are open to graduate students as well as undergraduates.

Contact the financial aid administrator at the school(s) you plan to attend in the 1980-81 academic year. He or she can tell you what aid programs are available at the school, and what forms you need to fill out to apply.

For additional information on Federal student aid programs, write to: BEOG, P.O. Box 84, Washington, D.C. 20044, and ask for a copy of "A Student Consumer's Guide to Six Federal Financial Aid Programs."

Information on the Privacy Act

The Privacy Act of 1974 says that each Federal agency that asks you for information must tell you the following:

1) Its legal right to ask for the information and whether the law says you must give it.

2) What purpose the agency has in asking for it, and the use to which it will be put.

3) What could happen if you do not give it.

Our legal right to ask for information is the law that authorizes the Basic Grant Program. That law is Title IV-A-1 of the Higher Education Act of 1965, as amended.

To apply for a Basic Grant, you must fill in all the parts of the application except questions 5, 8, 10, 15, 16, 27, 32 a & b, 38, 41, 42 a & b, 43, 44. These added questions are used to help State student financial aid programs and institutions give out financial aid. In addition, if you do not answer question 44 we will assume you answered "No" for that item.

We ask for the information on the form so that we can calculate a student eligibility index. We use the eligibility index to help us determine how large a grant you will get, if any.

A student's name, address, social security number, date of birth, and eligibility index will be sent to the schools the student lists in question 43. This information will also go to the State scholarship agency of the student's State of legal residence, to be used in coordinating State financial aid programs with the Basic Grant program. Also, information may be sent to Members of Congress who are asked by the student (or the student's parent) to help them with Basic Grant questions. We may also use the information for any purpose which is a "routine use" listed in Appendix B of 45 CFR 5b.

Use of Social Security Number

The Privacy Act of 1974 also says that each Federal agency that asks you for your Social Security number must tell you:

1) Its legal right to ask it and whether the law says you must give it.

2) What purpose the agency has for asking for it, and the use to which it will be put.

3) What could happen if you do not give it.

Our legal right to ask for a student's Social Security number is in section 7(a)(2) of the Privacy Act of 1974.

You must give us your Social Security number in order to apply for a Basic Grant.

We need the number to be sure we know who you are, to process your application, and to keep track of your record. We use your Social Security number in recording information about your school attendance and progress; in making payments to you directly, in case your school does not handle this; and in making sure that you have received your money.

WARNING

You must be very careful to give us information that is correct. If you get a Basic Grant by giving incorrect information, you will have to pay it back. Also, if you purposely give false or misleading information on your application form, you may get a $10,000 fine, a prison sentence, or both.

The Basic Grant Program has a process for checking the information you give on your application form. This is called validation. You may be chosen for validation. This means that we can ask you and your parents to show us the 1979 U.S. income tax return or some other proof that your information is correct. If we ask you for proof and you refuse, you will not get a Basic Grant.

instructions

Getting Ready

First, be sure you have read and understood pages 1-2 of this booklet.

Because you will need to give financial information for yourself and/or your family, you should get together these records:

- 1979 U.S. income tax return (Form 1040 or 1040A)
- W-2 forms and other records of money earned in 1979
- Current bank statements
- Current mortgage information
- Records of medical or dental bills that were paid in 1979
- Business or farm records
- Records of veterans benefits or social security payments

The 1979 U.S. income tax return (Form 1040 or 1040A) will be especially helpful.

If you (or your parents) have not completed a 1979 U.S. income tax return, you will have to estimate what will be reported on it. If the 1979 tax return is different from what you give on this form, you will have to make corrections later. (It may help you to look at a 1979 tax return to understand what we want.)

Even if you (or your parents) won't fill out a tax return, you will need to know how much nontaxable income, such as social security or welfare benefits, you (or your parents) received in 1979. Also, you need to know how much income, if any, you (or your parents) earned in 1979.

If you or your parents filed a 1979 income tax return with a government outside the United States, use the information from that tax return to fill out this form.

State Code:

Alabama	AL
Alaska	AK
American Samoa	AS
Arizona	AZ
Arkansas	AR
California	CA
Canal Zone	CZ
Colorado	CO
Commonwealth of the Northern Mariana Islands	CM
Connecticut	CT
Delaware	DE
District of Columbia	DC
Florida	FL
Georgia	GA
Guam	GU
Hawaii	HI
Idaho	ID
Illinois	IL
Indiana	IN
Iowa	IA
Kansas	KS
Kentucky	KY
Louisiana	LA
Maine	ME
Maryland	MD
Massachusetts	MA
Michigan	MI
Minnesota	MN
Mississippi	MS
Missouri	MO
Montana	MT
Nebraska	NE
Nevada	NV
New Hampshire	NH
New Jersey	NJ
New Mexico	NM
New York	NY
North Carolina	NC
North Dakota	ND
Ohio	OH
Oklahoma	OK
Oregon	OR
Pennsylvania	PA
Puerto Rico	PR
Rhode Island	RI
South Carolina	SC
South Dakota	SD
Tennessee	TN
Texas	TX
Trust Territories (Marshall Islands, Mariana Islands, + Caroline Islands)	TT
Utah	UT
Vermont	VT
Virgin Islands	VI
Virginia	VA
Washington	WA
West Virginia	WV
Wisconsin	WI
Wyoming	WY

If your place of residence is not included above, leave the State code blank and write the name of the country or territory in the space for city.

This booklet contains two copies of the form. Remove them carefully from the booklet. It's a good idea to use one copy as a worksheet and then keep it for your own records.

Note: Funds received by you or your parents as an award under the Distribution of Judgement Funds Act or the Alaska Native Claims Settlement Act should **Not** be reported as income or assets on this form. Property should not be reported as an asset if: (a) it may not be sold or have loans placed against it without consent of the Secretary of Interior, or (b) the property is held in trust for you or your family by the U.S. government.

Filling Out the Form

Although other people (besides the student who is applying for aid) may help fill out this form, it is about the student. When we use the words "you" or "your," we always mean the student. When we use the word "college" we always mean a college, university, vocational or technical school, or any other school beyond high school.

When you fill out this form:

- Read the instruction for each item **before** you answer the item
- Use a pen
- Print carefully, so your form will be easy to read
- Round off figures to the nearest dollar

If the instructions tell you to skip a question, you can leave it blank. Otherwise, if a question does not apply to you, do not leave it blank. Put a zero in the answer space. For example:

$ 0 00

The instructions to this form will usually answer questions you have. If you need more help, contact a guidance counselor at your high school or the financial aid administrator at the college you plan to attend.

To get a Basic Grant, you do not have to fill out questions 5, 8, 15, 16, 27, 32 a & b, 39, 41, 42 a & b, 43, and 44. You should fill out these questions, though, to help you get State and other aid.

Section A Student Information

Print in this section information about the student who is applying for aid.

1. Give your last name, first name, and middle initial.
2. Give your address. Tell us where you want us to send the results of this form. Give the address where you normally will be receiving mail. If you may be moving, be sure to give us your permanent mailing address. Do not use the address of the financial aid office or any other office at a school.
3. Give your social security number. Carefully copy the number from your social security card.

4 Fill in the date you were born. Show the month as a two digit number. For example, since July is the seventh month, you would write "07" in the boxes for "Month." Write a two digit number for the day. The fifth day of the month would be "05." Write in the last two numbers of the year. For example, 1962 would be "62." Therefore, if you were born July 5, 1962 write

07	05	62
Month	Day	Year

5 Give the code for your State of legal residence. Use the State Codes list on page

6 If you are a U.S. citizen, check box (a) and go on to question 7. Check box (b) if you are one of the following—

- U.S. national
- U.S. permanent resident and you have an I 151 or I 551
- Citizen of the Northern Mariana Islands
- Permanent resident of the Trust Territory of the Pacific Islands
- Other eligible non-citizen, and you have one of the following documents from the U.S. Immigration and Naturalization Service—
  - I 171
  - I 464A
  - I 94 (Arrival Departure Form) showing: (a) conditional entrant status, (b) indefinite parole, or (c) employment authorized
- An official statement that you have been granted asylum in the U.S.

If you cannot check box (a) or (b), you **must** check box (c). If you check box (c), you cannot get a Basic Grant or other Federal student aid. If you are in the U.S. on only an F1 or F2 student visa or a J1 or J2 exchange visa, you cannot get a Basic Grant or other Federal student aid.

7 Check your current marital status. If you are single, divorced or widowed, check "Unmarried."

8 Check your year in college from July 1, 1980 to June 30, 1981. Students are usually limited to four full years of Basic Grant payments. However, you may get a Basic Grant in a fifth year if: a) you are in an undergraduate program designed by the college to take more than four years but not more than five years, or b) the college required you to take remedial courses that kept you from finishing the program in four years.

9 Check "No" if you do not have a Bachelor's degree and you will not have one by July 1, 1980.

Check "Yes" if you will have a Bachelor's degree by July 1, 1980.

Check "Yes" if you will have a degree that is equal to a Bachelor's degree from a university in another country. If you already have a Bachelor's degree, you cannot get a Basic Grant.

10 Fill in the period of time you want to get financial aid for the 1980-81 school year. For example, if you want financial aid from September 1980 until June 1981, you would fill in the boxes like this:

09	80	to	06	81
Month	Year		Month	Year

Section B Student's Status

When we say "parent" on this form and instructions, we mean your mother and/or father or adoptive parents. We do **not** mean foster parents or guardians.

Before you answer questions 11, 12 and 13, read a, b, c, and d below and check the box next to the situation that is true for you. (We will refer you back to this box later in the instructions.) Then answer questions 11, 12, and 13 based on which box (a, b, c, or d) you checked.

☐ a **Parents are both living and married to each other.** Answer the questions in Section B about them.

☐ b **Parents are divorced or separated.** Answer the questions in Section B for the parent you lived with most in the last 12 months.

If you didn't live with either parent, or you lived with each parent an equal number of days, answer the questions in Section B for the parent who provided the most support to you in the last 12 months. (Support means housing, food, clothes, car, money, or other things given to you.)

☐ c **Parent is widowed or single.** Answer the questions in Section B about that surviving parent.

☐ d **Parents are both dead.** Answer "No" to all questions in Section B and fill in the gray answers on the rest of this form.

Answer every question for both years. This is a total of six answers. If you leave **any** question blank, we will assume that you mean "Yes."

11 If you lived with your parent(s) more than six weeks (a total of 42 days) in 1979 or plan to in 1980, you must answer "Yes."

12 If your parents claimed you on their 1979 tax return or if they plan to claim you for 1980, you must answer "Yes."

13 If your parents gave you more than $750 worth of support in 1979 or if they plan to do so in 1980, you must answer "Yes." Support means money or things like housing, food, clothes, medical and dental care, and college costs.

If you answered "Yes" to any of these questions for any year, you must fill in all of the green shaded answers on this form. Start by answering questions 14 through 18, and then give your parents' financial information. Do not fill in the gray shaded answers.

If you answered "No" to all six questions, you must fill in all of the gray shaded answers. Start by answering questions 19 and 20, and then give your and your spouse's financial information. Do not fill in the green shaded answers.

Section C Household Information

Parents' information - green

● Please look at the box you checked above in the instructions for Section B. Those same people count as your parents, and you should answer questions 14 - 18 about them.

Stepparent. If you checked box b or c above in the instructions for Section B and that parent has remarried, include your stepparent's information if either

- you lived with your stepparent (and parent) for more than six weeks in 1979 or plan to in 1980

or

- you got or will get more than $750 in support from your stepparent in 1979 or 1980.

14. Check the box for your parents' current marital status.

Show the status of the people you give information for on this form. For example, if you must give information about your mother and stepfather, check the box which says "married," because your mother and stepfather are married.

15. Give the age of your older parent.

16. Give the two letter code for your parents' State of legal residence. See the State Code list on page 00.

17. Give the number of people that your parents will support between July 1, 1980 and June 30, 1981. Include your parents, yourself, and your parents's other dependent children. Include other people only if they now live with and get more than half of their support from your parents.

18. Give the number of people from item 17 including yourself who will be going to college or other schools beyond the high school level between July 1, 1980 and June 30, 1981. To be included here, each student must be enrolled at least half time. Half time means the student is taking at least 6 credit hours per term. If the school uses clock hours, the student must be attending at least 12 clock hours per week.

Student (and Spouse) information - gray

○ Give information about yourself and your spouse (husband or wife). If you are divorced or separated, do not include information on your spouse.

19. Give the number of people that you and your spouse will support between July 1, 1980 and June 30, 1981. Include yourself, your spouse, and your dependent children. Include other people only if they now live with and get more than half of their support from you and your spouse. If you are planning to get married, do not include your future spouse.

20. Give the number of people from item 19, including yourself, who will be going to college or other schools beyond the high school level between July 1, 1980 and June 30, 1981. To be included here, each student must be enrolled at least half time. Half time means the student is taking at least 6 credit hours per term. If the college uses clock hours, the student must be attending at least 12 clock hours per week.

Section D Income and Expense Information

● Fill in the answers in this section using your parents' 1979 U.S. income tax return (Form 1040 or 1040A) or other financial records.

○ Fill in the answers in this section using your (and your spouse's) 1979 U.S. income tax return (Form 1040 or 1040A) or other financial records.

21. Check only one box.

Check "Yes" if a 1979 U.S. income tax return has been or will be filed. Then, go on to question 22.

Check "No" if a 1979 U.S. income tax return has not and will not be filed. Then skip to question 28. Leave questions 22 through 27 blank.

22. Check the box that says "from a completed return" if the 1979 U.S. income tax return has been filled out. For questions 23 through 26 you should copy the answers from the tax return.

Check the box that says "estimated" if the 1979 income tax return has not been filled out. For questions 23 through 26 you should write in the figures that will be on the tax return.

23. Exemptions for 1979. Write in the number from the Form 1040, line 7 or 1040A, line 6.

24. Adjusted gross income for 1979. Write in the number from Form 1040, line 31 or 1040A, line 10. Do not include earnings from student financial aid programs.

25. U.S. income tax paid for 1979. Write in the number from Form 1040, line 47 or 1040A, line 13. Do not copy the amount of "Federal income tax withheld" from a W-2 Form. Do not include taxes paid on earnings from student financial aid programs.

26. Itemized deductions for 1979. Write in the number from line 33 of Form 1040. If deductions were not itemized or a Form 1040A was filed, write in "0". (Business or farm owners: do not use numbers from Schedules C or F.)

27. Expected 1980 adjusted gross income

● Write in your parents' expected adjusted gross income for 1980. This is the same type of income that was asked for in question 24.

○ Skip to question 28.

28. Income earned from work in 1979

Write in the amount of income earned from work in 1979 by (a) your father and (b) your mother.

If you skipped questions 22 through 27, include your parents' earnings from work in 1979. Be sure to include these amounts in question 29 (b), "Other nontaxable income."

If you answered questions 22 through 27, include the "Wages, salaries, tips, and other employee compensation" from your parents' Form 1040, line 8 or 1040A, line 7. If your parents own a business or farm, also include the amounts from Form 1040, lines 13 and 19.

○ Write in the amount of income earned from work in 1979 by (a) you and (b) your spouse. Do not include earnings from student financial aid programs.

If you skipped questions 22 through 27, include your (and your spouse's) earnings from work in 1979. Be sure to include these amounts in question 29 (b). "Other nontaxable income."

If you answered questions 22 through 26, include the "Wages, salaries, tips, and other employee compensation" from your (and your spouse's) Form 1040, line 8 or 1040A, line 7. If you (or your spouse) own a business or farm, also include the amounts from Form 1040, lines 13 and 19.

29a. Social security benefits for 1979

● Write in the social security benefits that **you and your parents** got in 1979. Be sure to include the amounts that your parents got for children under age 18.

○ Write in the social security benefits that you (and your spouse) got in 1979. Be sure to include the amounts that you (and your spouse) got for children under age 18.

29b. Other nontaxable income

● Write in your parents' 1979 nontaxable income other than social security benefits.

○ Write in your (and your spouse's) 1979 nontaxable income other than social security benefits.

Include:
- Welfare benefits
- Child support
- Unemployment compensation
- Veterans benefits except educational benefits. Include Death Pension and Dependency and Indemnity Compensation (DIC) benefits.
- Interest on tax free bonds
- Untaxed portion of pensions and capital gains
- Living and housing allowances (cash payments or value)
- Earnings from work that are not reported on a U.S. income tax return
- Any other income that you did not include in any other question

Do not include:
- Money from student aid programs (educational loans, work study earnings, grants or scholarships)
- Veterans benefits for education (Veterans or Dependents Educational Assistance Programs)
- "Adjustments to income" reported on the 1979 income tax return (Form 1040), lines 28 and 30
- Any income reported in question 24
- Cash value of gifts and support, other than money, such as food or clothing

30. Medical and dental expenses in 1979 not paid by insurance

● Write in the amount of money that your parents **paid** in 1979 for medical and dental expenses. Do not include amounts covered by insurance or the cost of insurance premiums. If your parents itemized deductions on their 1979 U.S. income tax return, write in the total of lines 2 and 6 of Form 1040, Schedule A.

○ Write in the amount of money that you (and your spouse) **paid** in 1979 for medical and dental expenses. Do not include amounts covered by insurance or the cost of insurance premiums. If you (and your spouse) itemized deductions on your 1979 U.S. income tax return, write in the total of lines 2 and 6 of Form 1040, Schedule A.

31. Elementary, junior high, and high school tuition paid in 1979

● Write in the amount of money that your parents paid in 1979 for elementary, junior high, and high school tuition for children in their household. Do not include tuition that they paid for you.

○ Write in the amount of money that you (and your spouse) paid in 1979 for elementary, junior high, and high school tuition for your children.

32a. Expected 1980 social security benefits

● Write in your parents' expected social security benefits for 1980. This is the same type of income that we asked for in question 29a.

○ Skip to Section E

32b. Expected 1980 other non taxable income

● Write in your parents' other non taxable income expected in 1980. This is the same type of income that we asked for in question 29b.

○ Skip to Section E

33. **Student's (and spouse's) total income in 1979**

● Write in your (and, if you are married, your spouse's) total 1979 taxable income minus U.S. income tax paid, and total 1979 nontaxable income.

Taxable income includes
- Wages, salaries, and tips
- Interest and dividend income
- Any other income that will be taxed

Be sure to subtract from taxable income 1979 income tax paid. (See Form 1040, line 47 or Form 1040A, line 13.)

Nontaxable income includes the types of benefits listed in question 29b.

Note: Do **not** include benefits you get from the G.I. Bill and Veterans or Dependents Educational Assistance Programs, social security benefits, or student financial aid (work-study earnings, grants, scholarships, etc.)

○ Skip to Section E

Section E Asset Information

● You must give information about your parents' assets in questions 34 through 37. Check the instructions for Sections B and C to see which people count as your parents.

○ You must give information about your (and your spouse's) assets in questions 34 through 37. If you are divorced or separated from your spouse, do not include information on his or her assets.

Do not include personal or consumer loans that are not related to the assets listed.

34. Cash, savings, and checking accounts. Write in the amount of money that is in cash, savings, and checking accounts today. Do not include money from educational loans or grants.

35. Home. Write in how much the home is worth.

Then, write in how much is owed on the home including the present mortgage and related debts on the home. Check with the mortgage company if you do not know.

36. Other real estate and investments. Write in how much other real estate and investments are worth today. Investments include trust funds, stocks, bonds, and other securities.

Then, write in how much is owed on other real estate and investments.

37. Business and farm. Write in the value of the business and farm. Include tha value of land, buildings, machinery, equipment, animals, inventories, etc. Do not include the value of the home. (Home value should be written in number 35.)

● If your parents are not the sole owners, write in only their share of the total business and farm value.

Then, write in what is owed on the business or farm. Include the present mortgage and related debts for which the business or farm were used as collateral. If your parents are not the sole owners, write in only their share of the total debt.

○ If you (and your spouse) are not the sole owners, write in only your share of the total business and farm value.

Then, write in what is owed on the business or farm. Include only the present mortgage and related debts for which the business or farm were used as collateral. If you (and your spouse) are not the sole owners write in only your share of the total debt.

38. **Student's (and spouse's) savings and net assets.**

● Write in the total of your (and, if you are married, your spouse's) net assets.

Include:
- Cash, savings, and checking accounts
- Home – if you own a home, include the value of the home (minus what you owe on it)
- Other real estate and investments – include the value (minus what you owe on them)
- Business and farm – include the value (minus what you owe on them)

○ Skip to Section F

All students must fill out Sections F & G

Section F Student's (and Spouse's) Expected Income

39. Write in the amount of social security benefits you will get per month **from July 1, 1980 through June 30, 1981,** and the number of months during this time that you will get those benefits.

40. Write in the amount of Veterans Educational Benefits you will get per month from **July 1, 1980 through June 30, 1981** and the number of months during this time that you will get those benefits. Include only what you will get from the GI Bill and Veterans or Dependents Educational Assistance Programs. If you are not sure of how much you will get, contact your local Veterans Administration office. Do not include Death Pension and Dependency and Indemnity Compensation (DIC) benefits. Include these amounts in question 41.

41. Nontaxable income. Write in the total amount of nontaxable income you (and your spouse) expect to get from July 1, 1980 through June 30, 1980.

Include:
- Welfare benefits
- Child support for your children
- Unemployment compensation
- Social security benefits, except those given in question 39.
- Veterans benefits, except those given in question 40. Include Death Pension and Dependency and Indemnity Compensation (DIC) benefits.
- Interest on tax free bonds
- Untaxed portions of pensions and capital gains
- Living and housing allowances (cash payments or value)
- Any other income not reported elsewhere that is not subject to income tax

Do not include money from student aid programs (educational loans, work-study earnings, grants, or scholarships).

42a.&b. Taxable income. Write in the total amount of taxable income that (a) you and (b) your spouse expect to get during the 3 month summer of 1980 and the 9 month school year of 1980-81.

Include:
- Wages, salaries, and tips
- Interest and dividend income
- Any other income that will be taxed

Do not include income from a job you (or your spouse) will get through a student aid program.

43. Write in the name and address of the college you will be going to during the 1980-81 school year. If you are still considering more than one school, write in the names of two colleges, one of which you are most likely to attend in 1980-81. If you do not know which college you will attend, you can leave this question blank.

44a. Check "Yes" if you want the Basic Grant Program to send information from this form to the financial aid agency in your State. The State agency will use this information to help them figure out whether you will get a State award, and for checking to see if you reported correct information on your State student aid application.

Check "No" if you do not want the Basic Grant Program to send information from this form to the financial aid agency in your State. If you check "No", your State aid may be delayed, but it will have no effect on your Basic Grant.

44b. Check "Yes" if you want the Basic Grant Program to send information on this form to the colleges you listed in question 43. Some colleges may use this information to help them estimate your financial aid.

Check "No" if you do not want the Basic Grant Program to send information on this form to the colleges you listed in question 43.

45. You must sign this form. If you are married, your spouse must sign this form. If you filled in the green answers, at least one of your parents must also sign this form. Everyone signing this form is saying that all information on the form is correct and that they are willing to give documents (such as a copy of their 1979 U.S. or State income tax returns) to prove that the information is correct.

Sending the Form to the Basic Grant Program

Double-check your form, to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope that comes with this booklet. You don't have to send any money. Don't put letters, tax forms, or any extra materials in the envelope, this will only slow down your application.

If you want us to let you know that we've received your form, use the postcard that comes with this booklet. Put your name and address on the postcard, put a stamp on it, and put it in the envelope with your application. If you don't get the postcard back within four weeks, send us another application form.

Mail your form to:

BEOG
P.O. Box P
Iowa City, IA 52243

Keep this booklet handy. You will need it when you get your Student Eligibility Report.

REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

Part 8—Administration Proposal

TUESDAY, JULY 31, 1979

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Washington, D.C.

The committee met, at 9:40 a.m., in room 2261, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Bailey, Jeffords, and Edwards.

Staff present: Thomas R. Wolanin, staff director; Patricia F. Rissler, deputy staff director; William C. Clohan, assistant minority education counsel; and Jennifer W. Vance, minority legislative associate.

Mr. Ford. We have one of those unfortunate days when a lot of things that were not intended to happen come together, and I must leave in less than 5 minutes.

Mr. Tauke and Mr. Bailey are on their way so that we can continue the hearings. Then we will have to cut it off a little bit later because we have a bill from this committee on suspension calendar, which we are kind of anxious about, today. It is entirely possible that everything will happen as it is supposed to this morning, but it is not predictable. We have not been having the best of luck in the last couple of weeks in scheduling our hearings.

The committee today will contiune the discussion of the features of the administration's reauthorization proposal that represent the most significant departures from current law. Today the committee will consider the administration's recommendations with respect to the programs of grant aid to students, the Basic Grant and the Supplemental Educational Opportunity Grant.

In brief, the administration is proposing to modify the basic grant maximum award and the reduction schedule, to permit the use of average rather than actual costs of attendance under the basic grant program, and to increase the maximum SEOG award.

Today's hearing is intended to complement our hearing held last Thursday at which we considered the administration's proposals dealing with the administration and management of the student financial aid programs and the allocation of student aid funds to students, States and institutions.

Our witnesses this morning include representatives of the administration, students, financial aid administrators, and institutions of postsecondary education.

I would like at this time to invite to come forward Peter Voigt and Diane Sedicum from the Bureau of Student Financial Assistance; Bette Hamilton, representing the American Association of Community and Junior Colleges; Jerry Roschwalb, National Association of State Universities and Land Grant Colleges; Peter Gossens, National Association of Independent Colleges and Universities; Don Holec, director of financial aid at Purdue University, National Association of Student Financial Aid Administrators; and Joel Packer from the United States Student Association.

Without objection, since there is no one here to object, the prepared statements that have been submitted by the members of the panel will be inserted in full at this point in the record.

[The prepared statements of Bette Hamilton, Jerold Roschwalb, Peter Gossens, Don Holec, and Joel Packer follow:]

PREPARED STATEMENT OF DR. BETTE E. HAMILTON, AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES AND THE ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES

Mr. Chairman and members of the subcommittee: I am pleased to present the views of the American Association of Community and Junior Colleges on the Carter Administration's plans to reauthorize the grant programs of Title IV. We are still studying the various provisions and may submit additional comments for the record at a future time.

The Basic Educational Opportunity Grant program (BEOG)

We regret that the Administration would continue the inequitable treatment of low-income students who attend low-priced institutions by extending the one-half cost limitation in the BEOG program. In his testimony of March 1979, Secretary Califano proposed three possible solutions for dealing with the half-cost problem. Unfortunately, none of these was considered and the problem of discriminating against the poorest of college students (those with zero family contribution) remains with us. We sincerly hope the Subcommittee on Postsecondary Education will address the inequity of the one-half cost provision for students with zero family contribution attending low-tuition college before the lower priorities of increasing the maximum BEOG ceiling or making more guaranteed loans available to middle and upper-income students are enacted.

We oppose the Administration's attempt to compute social security survivor benefits and veterans education benefits as student assistance grants, half of which would be applied to the cost of attendance in determining awards in the BEOG program. Both social security benefits and the G.I. Bill stipends are entitlements, in most cases used for family subsistence and they should not be confused with the student assistance programs of Title IV. Workers paid into social security to protect their children; and veterans gave of their time and endangered their lives to serve their country. Veteran education benefits are a G.I. Bill of Rights, an entitlement, a bonus for services rendered.

We suggest that the term "cost of attendance", as it is used in Sec. 411(2)(B)(IV) in the Administration's draft bill, be expanded to include: the cost of child or day care while the parent is attending classes, and the cost of transportation for commuters. (The commuter allowance of $1100, determined by current regulations, is in lieu of charges for room and board. Commuters likewise must pay for room and board, and transportation which has skyrocketed in recent months due to energy costs.)

We are concerned with the reduction schedule outlined in Section 411(3)(B) as it specifies the priority of payments in any year that funds are insufficient to fully satisfy all entitlements. It is stated, "Any schedule established by the Secretary shall contain a single reduction formula in which the percentage reduction increases uniformly as the entitlement decreases, and shall provide that no payment of less than $200 shall be made on account of any entitlement." We think it is important to clarify that any reduction formula established by the Secretary in which the percentage reduction increases uniformly as the entitlement decreases relate to entitlements before the application of the one-half cost rule. (If the one-half cost provision, or a similar provision, is maintained.) Otherwise, low-income students who have already had their entitlements reduced to one-half the cost of attendance will have them reduced still further at a higher rate of reduction than their more affluent counterparts, attending higher priced institutions.

We regret that the Administration has decided to delete the funding threshold "triggers" for the campus-based programs. These "triggers" have been very helpful in keeping the appropriation levels in the campus-based programs at realistic levels. We suggest that the funding thresholds, as amended by the Middle Income Student Assistance Act, be retained.

The Supplemental Educational Opportunity Grant program (SEOG)

We endorse the "Less-Than-Half-Time Student Bill" introduced by Representative Weiss. Accordingly, we ask that the minimum payment allowed a student be reduced from $200 to some reasonable amount such as $50. We ask that part-time students be allowed up to 8 years of eligibility, as in the Weiss bill. We ask that institutions participating in the SEOG program be allowed to use some or all of their SEOG allocation for needy less-than-half-time students.

State Student Incentive Grant Program (SSIG)

We support Section 415C(a)(2) which allows states to make awards to students enrolled on a half-time basis. We would support the use of SSIG awards to needy students attending less-than-half-time.

Other provisions

We oppose the definition of "satisfactory progress" in Section 495. The Administration would be violating the rights of institutions and students by such a definition. Often students become ill or have deaths in their families and are forced to take incompletes or to drop courses. A student's satisfactory progress should be evaluated by the institution not the federal government.

We find the Student Information Section (493A) potentially troublesome, especially 493A(a)(1)(j) and 493A(a)(1)(k). With regard to 493A(a)(1)(j) are institutions to specify the courses of study that they do not offer as well as those they do? (The language so states.)

Community and junior colleges would have difficulty supporting regulations to implement 493A(a)(1)(k). Two-year colleges that offer vocational-technical education and which are included in a State's vocational education plan, must already comply with reporting requirements of the Vocational Education Data System. The requirements of Section 493A(a)(1)(k) would be duplicative and extremely costly. We estimate that it will cost two-year postsecondary institutions in excess of $100 million nationally to implement the Vocational Education Data System. Unit records must be kept on all students at a community and junior college because it is difficult to determine who constitutes a "vocational education" student.

While Section 493A(a)(1)(k) is designed to protect the students, ways should be investigated to reach a similar result, perhaps through the use of national averages, survey samplings, etc., not the follow-up of every college student. Please, let's not create another VEDS; our institutions cannot afford the extra personnel to handle the extra paperwork.

The American Association of Community and Junior Colleges seeks clarification of the $700 self-help component. The self-help component is not specified in the grant provisions nor in the need analysis section but is mentioned in the Supplemental Loan program. If there is to be one form for all student assistance programs and one need analysis formula, how does the self-help component relate to the other programs? Under the Administration's proposal, low-income students at low-tuition institutions would be entitled to only one-half cost in the BEOG program. There is an explicit "self-help" requirement in the half-cost provision. Would students already caught by "half-cost" be required to make-up an additional $700 in self-help? Would the $700 self-help factor be part of the one need analysis formula?

Lastly, we oppose the Administration's definition of independent student. Such a definition would work to the disadvantage of truly independent students less than 22 years old. We understand that the Administration is trying to hold parents responsible for paying the cost of their children's education, but the use of an arbitrary definition of independent student is unacceptable. Age discrimination in educational institutions receiving federal funds was supposedly banned by the 95th Congress.

I will be happy to answer any questions the Committee may have and I seek clarification of my concerns from the Administration's witness.

PREPARED STATEMENT OF JEROLD ROSCHWALB, DIRECTOR, OFFICE OF GOVERNMENTAL RELATIONS/HIGHER EDUCATION, ON BEHALF OF NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

COMMENTS ON ADMINISTRATION PROPOSALS FOR FEDERAL STUDENT ASSISTANCE GRANT PROGRAMS

Mr. Chairman and members of the Subcommittee, the National Association of State Universities and Land Grant Colleges is grateful for the opportunity to appear before you once again during this year's hearings on the reauthorization of the Higher Education Act. The views of the Association on amendments to current law have been submitted either directly in testimony by representatives of the Association or jointly with other associations. These recommendations have included several major proposals that would affect grant programs. We understand that the purpose of this morning's session is to restrict our comments to proposals submitted by the Administration on the federal student assistance grant programs.

The Administration's comprehensive proposals for the Higher Education Act contain some very detailed recommendations, e.g., as they would affect loan programs. And they, therefore, allow for more specific evaluation and comment. In the area of grant programs, the proposals are somewhat skeletal. In fact, the Administration's proposals may be most significant where they are silent and fail to comment at all. One great disappointment is that the Administration appears to have regressed from its preliminary testimony of March, 1979 in which it identified problems that needed to be dealt with that affect the most needy students in higher education institutions.

The problem may lie in an apparent major premise behind the proposals: if it costs, it's bad; if it saves money, it's good. Most assuredly, in the current critical economic situation, efficiency in the use of funds and prudence in appropriating them provides a valid basis for determining how to allocate scarce federal dollars. However, to rely on that premise alone leads to the kind of strange behavior we saw one year ago when in the midst of a battle to enact the Middle Income Student Assistance Act (MISAA), the Administration proposed a more than $200 million cut in BEOGs in an appropriation bill on the floor of the House. Surely the Administration did not seek to undermine its own initiative, but an overreliance on OMB thinking may result in suggestions that are bright but not smart.

Before turning to some central issues that were either ignored by the Administration's proposals or touched on superficially, it seems appropriate to seek sound recommendations by the Administration that deserve the consideration of this Subcommittee. These include the recommendation to permit institutions to use a school-wide average of education costs in calculating the basic grant award rather than requiring institutions, as is now the case, to incur large administrative costs by determining actual charges for each student. Permitting institutions to carry over 5 percent of SEOG and College Work-Study funds to the next year likewise recognizes the complexities of administering student aid programs.

Also wise is the proposal to extend BEOGs to the fifth year with regard to the recommendation to amend section 404 as regards to packaging student aid programs. I will rely on the experience of our colleagues in the National Association of Student Financial Aid Officers. The notion of "packaging" already exists. The Administration's proposals suggest that current practices produce inequities. The Administration also recognizes the need for the local student aid officer to have discretion in waiving self-help requirements. It has been our experience that between the rhetoric and the execution shadows often fall. We support changes in legislation that would enhance equity without concurrently undermining the capacity for institutional aid officers to make adjustments they understand best from their vantage point on the campus.

There are other proposals related to grants, if not directly involving amendments to grant programs, that appear somewhat enthymematic, in that the Administration sets for the valid major premises, appears to ignore minor premises entirely, and then draws the wrong conclusions. An example is the manner in which the Administration deals with information to be provided to students and administrative cost allowances. Currently, the two are bound together causing confusion in the minds of institutional officials over when they have fulfilled the requirement to provide adequate information to students, and may spend part of the administrative costs allowance on other aspects of administering the federal student assistance programs.

Part of the administration's proposal makes entirely good sense; separating these two ideas and requiring every institution to meet standards for providing information to students and prospective students as a basis for eligibility to receive federal student aid. We support the principle of the Administration requiring institutions to provide information about services and facilities to students. We are concerned that the Administration may once again go too far in the right direction. It is not clear what the Administration means when it says it will require institutions to provide placement data on recent graduates if the institutions are preparing students for employment in specific fields. The Administration may merely be extending current regulations that require only those institutions that hold out to students an assurance they will be employed as a result of studying at those institutions to show what their employment records of their students has been. The text we have seen seems to suggest that all institutions will be required to become involved in a costly paper race that will serve neither students nor institutions nor the federal government.

The Administration makes another wise move in suggesting, in effect, that administrative cost allowances not be line items to be subjected to appropriations consideration, but be automatically appropriated. This, of course, is not a new idea. The 4 percent institutions may retain from their allocations on campus-based programs for administrative cost allowance has been in the law almost from the start. It was amended in 1976 at the insistence of the chairman of this Subcommittee to more adequately reflect actual costs incurred by institutions. Had the administration left that 4 percent for compus-based programs alone and then recommended that the current $10 capitations for each GSL recipient and each BEOG recipient be changed from line item appropriations to automatic appropriations, they would have reasonably responded to the current need. Now we have a paradoxical situation. It was the Senate that insisted on cutting back on the House's recommendation to increase the funds institutions could automatically keep in campus-based programs and instead pushed for capitation. In the three years since that authorization, the Administration has once asked for funding the capitation programs, the House has responded favorably to the Administration, but the Senate has consistently refused to fund them.

The Administration's proposal, then, that the only administrative cost allowance be contained in a $10 award for each aided student (unduplicated count) really involves a major cutback in current support for institutions. Even without the capitation programs funded, institutions had available to them approximately $45 million this year, 4 percent of the more than $1 billion campus-based programs appropriations. Had the Administration's proposal been in effect, the institutions would have received approximately $40 million—a more than 10 percent cut. Moreover, the Administration's proposals would result in untendable shifts of funds among institutions, primarily large institutions, both public and private, such as those in the Ivy League and the midwestern land-grant institutions that have been deeply involved in the student aid programs since their inception. For example, one major eastern private institution that receives more than $2 million in campus-based programs may use better than $80,000 of that to help pay for part of a very sophisticated, costly and effective student aid office operations including providing detailed information to students. However, the federal aid they distribute goes to only slightly more than 2,000 students. In the Administration's proposal, in short, that school would be cut about $60,000 or 75 percent of funds it now receives.

It is true that a large number of institutions, primarily community colleges, servicing thousands of BEOG recipients, receive little or nothing in the way of administrative cost allowances as the programs have been funded. It is appropriate that they do receive reimbursement comparable to other institutions, however, not at the expense of other institutions, leaving all institutions equal only in the inadequacy of the assistance they receive in meeting the costs of administration. Perhaps, under the pressure of time constraints for getting their recommendations to this committee, the Administration did not calculate the implications of its proposals. Perhaps, had they been aware of their effects, they might have agreed to leave the administrative cost allowance for campus-based programs alone and to establish an automatically funded capitation for BEOG students. Another equally simple approach would provide an automatic 1 percent appropriation for the BEOG program. Mr. Chairman and members of the committee, several of the associations represented on this panel today including those representing students, student aid officers, and institutions have been working together to present a fullly detailed recommendation on administrative cost allowance to the committee. We hope to have them to you within the next two weeks.

There is yet another paradox in the Administration's proposals, wholly consistent with the laudable campaign in the Administration to have the Congress appropriate necessary funds for research. The Administration has proposed a new initiative in title VII that would provide funds for research facilities. We certainly endorse that proposal. However, to be consistent, we think the Administration might have given some attention to grant support for graduate students. Two decades ago, this subcommittee created the pre-doctoral fellowship program in title IV of the National Defense Education Act that helped create an extraordinary chapter in the development of graduate study in this nation. Currently, there is very little in the way of grant aid going to graduate students. We are concerned that the data we have begun to assemble shows that family income plays too great a role in determining which students will go on to graduate studies. We believe that consideration needs to be given to the possibility of establishing as a separate segment of the SEOG program, authority for students, during their first year of graduate study, to be treated as they were while undergraduates and to receive SEOGs. We believe this will encourage many students from low-income families, students who may already have accumulated sufficient debts that will discourage their consideration of graduate study, notwithstanding their talents and genuine interest, from going to graduate school. It is the first year of graduate school where the student establishes his or her abilities and can better compete for assistance in subsequent years by working on research grants and attracting other institutional support, or developing the confidence that justifies borrowing to complete graduate studies. We emphasize that any such program needs to be administered separtely from the undergraduate SEOG program to ensure that no incursion is made on limited SEOG funds for undergraduates and to allow for distribution of funds in a system that will have the funds directed to where the needy students are attending school.

Mr Chairman, we were given to understand that the Administration has recalled its bill to make changes necessary that may have resulted from submitting the bill without ample time to prevent omissions. One of the main problems of the proposals of the Administration is what English teachers tend to call the absence of parrallelism, a complex form of inconsistency. The Administration understands that the key to curbing inflation is productivity and that research leads to productivity, and it, therefore, encourages support for research. Similarly, the Administration recognizes that we must admit to the increased cost of education, and therefore, suggests that the maximum award in the SEOG program be raised by one third and that the aggregate awards be raised even more. However, since the Administration this year has requested less funds for the SEOG program rather than more, the recommendation necessarily would result in fewer needy students receiving larger awards, or, since student aid officers must behave reasonably even in unreasonable circumstances, probably no meaningful change if the institutions have no more funds to distribute than they do now. (The Administration drops the threshold for funding SEOG before BEOG. Logically, and to be reasonable, if we raise the BEOG maximum, we should raise the threshold—a figure of $450 million seems right.)

In the BEOG program, the Administration sort of hints at the problem of inflation by saying that should appropriations permit, the maximum BEOG award may exceed $1,800. To be consistent and recognize the impact of inflation, the Administration should ask for statutory language that would require increases in the BEOG maximum award, perhaps by small one hundred dollar increments for several years during the life of this bill. Otherwise, four or five years from now, even under the most optimistic hopes for curbing inflation in the United States, an $1,800 BEOG might be worth only $1,500 or less.

It is at this point, that the Administration violates its basic principles. Early in the Administration's testimony it calls for action assuring that "every student has a fair chance to receive federal education benefits" and that "every student has access to all the education he or she can take." The Administration then recommends doing nothing with the onerous so-called half-cost provision. If inflation provides a simple logic for the need to increase the maximum of BEOGs and SEOGs, basic equity requires that, concurrent with such changes (or before such changes if indeed a choice had to be made among them), the half-cost provision must be modified. Many witnesses, appearing before this committee in the last several months, have stated the problem very simply. That provision in the law succeeds only in depriving the most indigent students at the least costly institutions of desperately needed assistance. All ot the arguments regarding the need to modify the half-cost provision have been presented with data and passion. They comprise part of the hearing record this year, and I need even delineate them. Suffice it to say that a change that increased the maximums of the BEOGs and SEOGs would provide still more funds to middle-income families, particularly those the committee wisely made eligible for BEOG support in last year's MISAA legislation. However, those tens of thousands of students whose awards have been cut annually by the half-cost provision would not benefit at all from those increases of the maximum.

This administration is consistently budget conscious. It should be aware that for only approximately $130 million, an amendment that would change the law from half-cost to one-third cost, for example, would have a very positive impact on 800,000 relatively indigent students, since all of those funds would go to students of families earnings less than $19,000 and the vast majority of those dollars would go to students of families earning under $12,000. Raising the BEOG maximum could be substantially more costly.

Another item that the Administration does not address is the question of equity in determining commuter allowances. The $1,100 commuter allowance established in fiscal year 1974 succeeds only in cutting BEOG grants only for very-low income recipients at low-cost institutions who live off-campus in private housing. Data shows that average costs on campus in institutional dormitories in $1,450 while private housing for a nine-month academic period ranges between $1,600 and $1,800. Keeping inflation in mind once again, we may assume that during the lifetime of the reauthorized Higher Education Act, these costs may rise to about $2,000. Once again, if we are to assist those who need assistance most, simply raising the maximum grants will not suffice. Increasing the commuter allowance to meet actual costs would assist about half of the 800,000 students now affected by the half-cost provision, modifying the half-cost provision would help all the others, and only then, would it be equitable and reasonable to raise the maximum BEOG award.

Ironically, when we agree with the Administration, the Administration does not agree with itself, In March, when Secretary Califano testified before this committee, he identified the half-cost provision as the inequitable rule that it is and offered three possible modifications to it. That the latest proposals submitted by the Administration disregard this issue can be attributed perhaps to forgetfulness, or perhaps to the fact that OMB has entered the picture.

Another omission by the Administration is less understandable since a question of equity once again could be addressed, and this time without on-budget costs. In May, we testified in detail on the recommendation that the less-than-half-time student be made eligible to participate in the SEOG program. The comments then by the chairman of this committee and the ranking minority member, and the recent introduction by Congressman Weiss of a bill that addresses this problem, make it unnecessary to comment beyond reaffirming our belief that this relatively minor adjustment in the law seems entirely appropriate and can be accomplished without any additional cost for the SEOG program.

One more point: if there is an Administration maxim that may be stated as one of the best solutions to a problem is to deny its existence, then in one instance in its proposals the Administration has found the solution where we do not have a problem, and that is in redefining the independent student. Early in the Administration's July 19 testimony, there is a statement that "America's young people are our most precious national resource." That emphasis on "young" may partially account for the Administration's indifference to the older student burdened by family responsibilities, a job and debts that prohibit attendance for at least half-time. It also suggests an unusual discrimination against the not-so-young, though it is difficult to determine at what age that begins. I believe that the Committee, quite appropriately, raised serious doubts last week when this issue was discussed in a hearing. We support those who have serious doubts over the wisdom of redefining independent student as the Administration now proposes.

Finally, the Administration recommends cutting the BEOG by taking into account a student's "income" from veteran's benefits and social security survivors benefits. It is true that need is the basis for determining the amount of BEOG grants, but it is also true that veteran's benefits or social security benefits are fundamental entitlements. No one ever has had his GI bill benefits cut because he comes from a wealthy family. Similarly, the social security survivors benefits are a national insurance program. The amount received by families is determined not by the family's need. It happens that the vast majority of recipients of social security survivors benefits are needy in the simplest sense of that term. It is also true that most recipients of veteran's education benefits are not wallowing n affluence. Given the amount of funds involved, we find it difficult to become overly concerned as does the Administration that some veterans may be receiving federal funds in excess of the costs of his attending college or university. We ask the committee to consider carefully any changes in current law in this area as recommended by the Administration.

Mr. Chairman and members of the committee, may I again express our gratitude for the opportunity of presenting our views to you. I would be pleased to respond to question.

Prepared Statement of Peter J. Gossens, Director of Government Relations, National Association of Independent Colleges and Universities

Mr. Chairman and members of the subcommittee: My name is Peter Gossens, I am Director of Government Relations for the National Association of Independent Colleges and Universities. NAICU endeavors to serve as the unified national voice of indendent higher education, and the legislative proposals I am presenting today reflect a broad consensus among the 800 colleges and universities, 42 state associations, and 26 national, regional and special purpose associations which comprise the NAICU membership.

I appreciate the opportunity to appear before you today to give you NAICU's views on the Administration's proposals for reauthorization of the student grant programs contained in Title IV of the Higher Education Act.

Let me say at the outset that we are pleased with some of the Administration's proposals for the three federal student grant programs, in that they suggest clarifying and simplifying amendments which will serve to reduce some of the existing administrative problems both at the institutional level and within OE, but are disappointed with others which tend to restrict the availability of student grant funds.

Among those proposed changes are suggestions to change from actual to average costs in computing student budgets on which grant amount are based. The use of actual costs has been a significant problem at the campus level. In addition, the Administration proposes to remove from the legislation the cumbersome "exceptional financial need" and "but for" language in SEOG, and the "substantial financial need" SSIG language which has tended to keep SEOG and SSIG funds from reaching students with demonstrated need. We especially applaud the removal of the "but for" language, because that language has been interpreted in the past by some within the Office of Education and HEW as requiring students to exhaust all self-help possibilities before receiving any SEOG funds. This legislative change will remove all doubt that SEOG is, in fact, the first program to be used after the Basic Grant in constructing a student financial aid package.

However laudable these proposed changes may be, they do not cover up the fact that, once again, the Office of Management and Budget has prevailed in its constant attempts to curtail the amount of grant funds available to needy students in all sectors of postsecondary education. Furthermore, it appears that these grant proposals seem to have been developed without any regard to an overall federal student aid policy goal, with the possible exception of a goal to restrict available grant funds. As you know, Mr. Chairman, in an effort to assure a balanced growth of all federal student aid programs, NAICU has proposed that the Congress establish in the legislation a federal policy goal of providing 75 percent of student need from Basic Grants, SSIG, SEOG, institution and state matching payments, and parental contributions, and the remaining 25 percent of student need from self-help programs.

We are disapppointed that the Administration has not chosen to recommend an increase in the Basic Grant maximum. NAICU and most other other representatives of the higher education community have recommend that the Basic Grant maximum gradually increase to $2,400 by 1986-87 in order to keep pace with inflation and the rising cost of postsecondary education today.

A further disappointment with the Administration's recommendations is that they have done nothing to relieve the existing inequity in taxation of assets in the family home. As NAICU witnesses have previously testified, we have anecdotal evidence of middle-income students, and even some students from lower income levels, being denied Basic Grants due to the taxation of assets in the family home.

The result of both these factors taken together—no increase in the Basic Grant maximum and no relief from the inequities of the current taxation of family home assets—will be that a substantial proportion of those students that you and other members of this Subcommittee worked so hard to help last year through the MISAA legislation will continue to be denied a Basic Grant. Add to those factors the Administration's proposal for repealing the "threshold" provisions and in effect, you have the Administration giving a student an $1,800 Basic Grant with one hand and saying that is all he or she needs to keep up with inflation and the rising costs of education. With the other hand, the Administration effectively takes away any possibility of making up the resulting shortfall in meeting student need by removing the threshold provisions, which have protected at least modest growth in SEOG and the other campus-based programs over the last seven years. NAICU witnesses and others who have appeared before your Subcommittee in this round of hearings have suggested to you that the facts of life on college campuses will lead you to an exactly opposite result: that the $1,800 Basic Grant maximum is not sufficient, and that there needs to be some mechanism in the law to assure a balanced growth of SEOG and other campus-based programs. For example, Mr. Chairman, preliminary results from the NIICU (National Institute of Independent Colleges and Universities) Student Aid Recipient Data Bank show that more than two-thirds of undergraduate dependent student aid recipients in indendent higher education this past year needed some combination of federal, state and institutional need-based grants, together with work and loan programs, in order to meet their financial needs. Thus, at least for the independent sector, on which the only actual data is available for this year, it is absolutely critical that some federal student aid policy goal be established to assure the balanced growth of all existing student aid programs. It is also extremely important that the supplemental grant programs continue to be available at least at present levels.

For one of those supplemental grant programs, SSIG, NAICU is pleased that the Administration is not trying once again to impose additional federal standards on the states, however, their recommendations again represent an attempt to limit federal support for student grants. When fully implemented, the Administration's proposals would have the effect of requiring states to double their existing student grants appropriation in order to receive the same federal match, thereby changing the current program of providing one federal dollar for every state dollar to a program of providing one federal dollar for every two state dollars. We believe the SSIG program is working as intended, and offer as evidence the fact that state student grant dollars have grown from $300 million to $960 million over the last six years since the program was created. The effect of the Administration's proposal, if enacted, would undoubtedly be to limit the amounts of student grant dollars state legislatures would be able or willing to appropriate. We believe the federal/state student aid partnership should be strengthened, not diminished.

The core of the NAICU recommendations for reauthorization of the student grant programs would continue that strong federal/state partnership and continue the growth of the existing federal student aid programs by:

Establishing the 75 percent grant/25 percent self-help policy goal in the statute;

Establishing a better mechanism to assure the balanced growth of federal student grant programs by tying SEOG and SSIG appropriations to the Basic Grant appropriations; and

Continuing the policies established in the 1972 and 1976 Amendments and strengthened by MISAA last year by building upon the existing statute, thereby helping to assure the continuation of the nearly $1 billion in state need-based grant programs, and the continued funding of the two federal supplemental grant programs—SEOG and SSIG.

Let me thank you again, Mr. Chairman, for providing this opportunity to react to the Administration's proposals for reauthorization of the student grant programs. I would be pleased to attempt to respond to any questions you or other members of the Subcommittee may have.

PREPARED STATEMENT OF DONALD HOLEC, DIRECTOR OF FINANCIAL AID, PURDUE UNIVERSITY, ON BEHALF OF THE NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. Chairman and members of the subcommittee, I am Donald Holec, director of financial aid at Purdue University, and current chairman of the National Association of Student Financial Aid Administrators' Committee on Governmental Affairs.

It is indeed a pleasure for me to again have the opportunity to appear before you and to discuss the Administration's bill to amend the Higher Education Act. My comments today will be limited to the changes suggested by the Administration to amend the Basic Educational Opportunity Grant Program and the Supplemental Educational Opportunity Grant Program. At the outset, let me state that the Administration has suggested several changes which we whole-heartedly support. However there are several areas in which we strongly oppose the Administration's suggestions, and still other areas that we are disappointed have not even been addressed.

Specifically, let me begin by reviewing the Administration recommendations for the Basic Grant program.

The Administration has proposed some new language in the statement of purpose of the grant programs which clarifies the responsibility of the parents to pay for their children's education. We feel that such language is important as a tenant of need analysis, but is inappropriate in this section. We have previously recommended that language is needed under the satatement of purpose to establish the Basic

Grant program as a true entitlement. This change would insure all eligible students that funds would be available for each year that the program is authorized, and would eliminate the uncertainty that now exists from year to year funding decisions.

We are very disappointed that the Administration has not included specific language which would increase the annnual maximum Basic Grant award above $1,800. Instead, language has been included which leaves the determination of any amount above $1,800 strictly up to the actions of the Appropriations committees. While we fully realize that the final recommendations may well come from the Appropriations and Budget committees' marks, we feel it is imperative that the Authorizing Committee at least include its recommendations of what the amounts should be in the legislation. Our reason for this is simply that no other committee, except the Authorizing Committee, spends the time in reviewing, analyzing, and studying the educational and financial needs of our students. Other members of Congress, including the Budget and Appropriations committees' members, look to the Authorizing Committee for guidance and recommendations. Therefore, we hope you will reject the Administration's suggested approach and support the annual step increases in the maximum award that most of the higher education associations have endorsed.

We also oppose the Administration recommendation that one-half of a student's benefits from the Veterans' Association or the Social Security Administration be subtracted dollar-for-dollar from the student's Basic Grant award. Currently, Social Security benefits are calculated as family income and are taxed as any other form of supplemental income would be. This seems to us to be a fairer method, rather than penalizing these students who, on the average, have lower family incomes than the normal college-going student population. Likewise, the current treatment of VA benefits seems to be realistic, particularly when under the current GI Bill a substantial portion of the benefits were supplied from the veterans' own contribution.

We are very pleased that the Administration has dropped the term "actual cost of attendance." However, the new definition recommended for the term "cost of attendance" does not satisfactorily eliminate the problem that students residing in off-campus housing have in obtaining a reasonable budget for determining their Basic Grant award. Therefore, we suggest that the substitute amendments which NASFAA submitted earlier be used for this definition.

We also are pleased that the Administration has liberalized its definition of what constitutes a fifth year for Basic Grant eligibility, and support the new reduction language which protects the neediest students. However, we are very displeased that the Administration has eliminated the 10.5 percent assessment rate, which our Association worked to achieve in enacting the Middle Income Student Assistance Act and which you, Mr. Chairman, and this committee supported. Likewise, we note that the threshold levels have been dropped from the Administration's recommendation. The threshold levels which were enacted in 1972 have proved essential in insuring that students are able to obtain a balanced aid package of grant and self-held aid sources. Therefore, we oppose both of these suggested modifications.

The Administration has opposed that funds appropriated remain available for an additional fiscal year. Due to the timing of appropriations and when funds are spent by institutions, this period is too short to effectively reallocate any funds not needed by a particular institution. We propose that appropriations for SEOG remain available for two fiscal years following the year in which they are appropriated.

We support the Administration's recommendation in the SEOG program to increase the maximum annual award to $2,000. However, we do not see any need to include a cumulative amount when the award is already restricted by the annual award and the number of years of eligibility. Likewise, we propose that the $200 minimum annual award be clarifed to permit a proportionally smaller award if a student plan to enroll for a period of time less than a full academic year. We also note that the Administration's proposal would eliminate the exceptional financial need criteria and the one-half of the sum of the total amount of student financial aid provided to the student by the institution criteria from the SEOG program. It seems to us that these greatly change the emphasis of the program and we would like one of the OE representatives to respond to this issue later in this hearing.

We also would like an explanation as to why Section 413C has been modified to state, "if the individual makes application at a time and in a manner consistent with the requirements of the Secretary and the institution," rather than as it currently is stated, "if the individual makes application at the time and in the manner prescribed by that institution in accordance with regulations of the Commissioner (or Secretary, as the case may be)."

Another change proposed by the Administration is to remove from each of the program descriptions the individual eligibility criteria and to simply include them all under the Student Eligibility Section 495. While we favor this type of consistency and simplicity, we do note one new addition: that the student must not owe a refund on grants previously received at any institution under this title and must not be in default on any loan made under this title for attendance at any institution. This rewording of this section substantially increases the time it will take to process the application of a student who is transfering from one school to another, and it places the institution in a position of liability for which it has little control. We can appreciate that a school has a responsibility to regulate these factors on its own campus, but it is unrealistic to expect it to monitor a student's previous performance or action at all other institutions, or lenders, without creating an expensive and cumbersome process.

One other change offered by the Administration is new procedures to review the family contribution schedules for all programs as described in Section 494. Not only are we opposed to the statutory language presented by the Administration, which fails to address who will be involved in developing such a system, but we feel additional language is needed to insure an orderly and timely process for resolving these differences. Perhaps this also could be explained further by OE.

Thank you again, Mr. Chairman, for the opportunity to appear today. I will be happy to respond to questions at your convenience.

PREPARED STATEMENT OF JOEL PACKER, LEGISLATIVE DIRECTOR, UNITED STATES STUDENT ASSOCIATION

Mr. Chairman and members of the subcommittee, I would like to thank you for the opportunity to be here today. As you know, my name is Joel Packer and I am Legislative Director of the United States Student Association (USSA). I appeared before this Subcommittee on May 16 and presented the views of the Association regarding the student grant programs. Therefore, I will limit my remarks today to commenting on the proposals submitted by the Administration and simply highlight the USSA recommendations that they chose not to include in their package.

Basic Educational Opportunity Grants

The Administration does not propose many changes here or for the other grant programs. What is most significant about their recommendations is not what they have proposed for change, but what they chose to ignore.

Regarding the BEOG maximum award, the Administration has really skirted the issue by not recommending a new higher award figure. We are happy that they seem to recognize the need for an increase in the maximum which has remained at $1,800 since 1976.

USSA believes it is important for Congress to set in law a maximum which would serve as a goal to work for. Without a stated maximum it is clear that the Appropriations Committees will find it easier to avoid increases. A maximum award of $2,400 in fiscal year 1981 would be necessary to maintain the value of the original $1,400 grant after taking inflation into account. USSA recommends that the maximum increase by a series of steps to $2,500 by fiscal year 1985. A.C.E. estimates that an increase to $2,000 would result in an additional 237,000 students from middle-income families becoming eligible for a BEOG.

However, while we support a rise in the maximum USSA sets as our highest priority the removal, or at minimum, modification of the half-cost limitation. Not only does the Administration not change this, the Secretary's testimony does not even mention the issue. As you will recall, Secretary Califano in his March 20 statement mentioned half-cost as an issue that was in need of study. Indeed, Mike O'Keefe subsequently presented a series of options to you regarding modification of half-cost.

Without removal of half-cost, over 800,000 low-income students, generally attending low-cost institutions would receive no benefit from raising the maximum Basic Grant! Middle-income families were the prime beneficiaries of MISAA last year. To once again reward them while continuing to penalize low-income students runs counter to the purposes of the program.

These students affected by half-cost are not receiving much other grant aid. According to data from a recent study performed for the Office of Education by Applied Management Sciences (AMS), only 10 percent of the cost attendance was met by other grant aid for students affected by half-cost who were attending 2-year public institutions. These students had to make up 47 percent of their college costs through self-help.

Mr. Chairman, there is no need to once again recite the litany of arguments in favor of removing half-cost. We simply urge you to take action to remove this inequity.

The students affected by half-cost are actually doubly hurt because of the so-called commuting allowance. Under current law schools must utilize the actual charges for campus room and board in determining a students' total cost of attendance. HEW has proposed that this be modified so that campuses can utilize an average charge. USSA endorses this. However, for off-campus students, a national standard figure of $1,100, which has remained unchanged since 1974–75 is required. Now obviously a student cannot pay room and board for nine months for only $1,100. The College Scholarship Service estimates that these items run between $1,600 and $1,800.

According to the AMS study, 96 percent of those students at two-year public institutions affected by half-cost lived off-campus. For 4-year publics the comparable figure was 72 percent. Thus not only are these students limited to half-cost but their costs are artificially deflated so their grants average only about 40 percent of cost, USSA and NASFAA have recommended that campuses have the right to estimate an average off-campus living expense for those students living with their parents and those who are independent. We hope the Subcommittee will support this.

The next proposal the Administrative makes is to revise the method of treating Social Security Administration (SSA) and Veterans Administration (VA) benefits students receive when determining their BEOG. Current law requires that all SSA benefits and one-half of VA benefits be counted as family income for dependent students and therefore assessed at the 10.5 percent rate. The new proposal would reduce the calculated BEOG by one-half the total of both SSA and VA benefits. This will result in many thousands of students losing their BEOG eligibility or see it greatly reduced.

This year the President tried to have Congress completely abolish student SSA benefits. USSA along with a broad coalition of groups called Save our Security, organized against this proposal and it was rejected. Now the Administration is attempting to accomplish through the back door what it could not do upfront.

Looking at SSA benefits, the Administration proposal seems to say that these benefits are a student assistance program and therefore should be counted heavily in determining eligibility for other student aid programs. However, this program, like all of the Social Security system, is an insurance program. It is intended to partially compensate for income lost from the death, disability, or retirement of a worker, in this case the parent. The benefits are not considered student aid, but are used as part of family income.

The system is based on the concept of self-help with workers and their employer contributing a percentage of the income to the SSA Trust Fund. The benefits are related to the previous earnings of the worker. Children of deceased workers receive 75 percent of the primary insurance amount, while children of disabled or retired parents are entitled to 50 percent. (The primary insurance amount is related by law to the average monthly earnings of the worker.) There are certain limits to the total SSA benefits that a family can receive. Thus 43 percent of all student beneficiaries have their checks reduced because of the family maximum rule.

The Social Security Administration has articulated very clearly the role and purpose of the student program in a 1976 issue of the Social Security Bulletin:

> Unfortunately, the student benefit is sometimes misunderstood to be a form of aid rather than a component of family income. Despite its name and the requirement that for school attendance, the student benefit program is not a grant, scholarship, loan or aid program. The distinction is fundamental.

Similar arguments could be made regarding Veterans benefits. USSA urges that you reject this regressive proposal from the Administration.

Two other changes made by the Administration that USSA sees as positive are a revision in the language limiting BEOG, and SEOG as well to four academic years, and a new reduction formula for BEOG. With regard to the first, current law limits BEOG and SEOG to four years unless the program of study is normally five years, such as engineering, or remedial courses are required. The new proposal would allow the institution to determine due to individual circumstances that the student needs an extra year.

USSA already proposed a similar change in language to you. We noted that there are many reasons for attending an extra year such as loss of credits when transferring or illness. Only 50 percent of students complete their bachelors in four years. USSA suggests that the language we submitted to you, which is somewhat more liberal be adopted.

In addition to these recommendations, I want to point out several others that we have already submitted to you that were not included in the HEW bill. These are making BEOG a true entitlement, treating independent students with dependents the same as a dependent student's family in calculating their BEOG, directly prorating the award when a student is attending less than full-time, and reducing the minimum grant from $200 to $100. Details of these proposals can be found in our May 16 statement.

Supplemental Educational Opportunity Grants (SEOG)

First, USSA strongly objects to the removal of the trigger for SEOG, as well as for NDSL and CWS. These triggers have served to protect the integrity of the campus-based programs. In fact this year it was the triggers that helped prod the Appropriations Committees to fund SEOG and NDSL at the levels of respectively $370 million and $286 million, instead of the levels of $340 million and $220 million as proposed by the President.

USSA believes that the trigger for SEOG should be changed from a dollar level to a percentage of BEOG. We recommend a level of 20 percent. This will ensure that SEOG keeps pace with increases in college costs and increases in BEOG and thus remains a viable program.

We support the elimination of the distinction between Initial Year and Continuing Year grants. This distinction serves no useful purpose and has been ignored by Congress in recent years since a single lump sum has been appropriated.

We also support the increase in the yearly and cumulative maximum SEOG to $2,000/$8,000. We have previously recommended this. Average college costs will be $5,800 by 1985 and therefore an increased SEOG coupled with an increased BEOG will be necessary for low-income families. However, it is important to note that unless more funds are put in SEOG simply changing the maximum award will only result in some students getting more money while others will get less. Due to the way funds are allocated to campuses an increased maximum award does not raise an institution's need for funds.

As noted above liberalized language on the maximum time eligibility is included here as well as for BEOG. USSA endorses this.

Other changes in SEOG supported by USSA include the inclusion of less-than half-time students on a discretionary basis. Rep. Weiss has introduced legislation in this area, H.R. 4948 which should be given serious consideration. We also recommend reducing the minimum SEOG award from $200 to $100, revising the state allotment formulas so that they are need-based instead of enrollment driven, and establishing limited aid for graduate students. Grads are particularly hit hard by the Administration's bill, since they gain nothing and lose all interest subsidies for loans. Many low-income students will therefore be forced to incur ever larger debts to attend graduate school, or not attend at all. USSA proposes that institutions be given the authority to utilize up to 15 percent of their SEOG funds for graduate students.

State Student Incentive Grants

The major change recommended by the Administration is a new formula for determining the Federal/State match. Currently the Federal government matches on a one for one basis State dollars provided the State does not reduce its share below that which it was expending when it first entered the program. Many states, such as New York and Pennsylvania are vastly overmatched, that is the State share far exceeds the Federal share. Therefore an increase in their State allotment does not require them to put in new State dollars. Actually they could reduce their State share substantially and still continue to receive increased Federal dollars.

The Administration proposes that only new State dollars will be matched. Thus New York would lose any Federal funds unless it matched with brand new State dollars the Federal funds it gets. While we have not fully analyzed the effects of this proposal it appears to harshly penalize the large States and will possibly result in their dropping out of the program.

USSA recommends instead of the Administration language, the establishment of a rolling base year. This would require States to match any increase in Federal dollars with new State dollars, but would not penalize them by reducing their current share if they chose not to increase their State share. These formulas should be carefully reviewed to reach a balance between stimulating increase in State funding while not unduly penalizing States.

USSA supports the recommendation to eliminate the distinction between Initial and Continuing Year awards.

In addition we recommend raising the SSIG maximum award to $2,000, including provisions to encourage States to include part-time students, and to establish a second tier in the program. This second tier, to be funded after the current program reached $100 million would distribute funds only to those States which do specified things such as including part-time or graduate students or allow portability of grants.

Lastly, as with SEOG, we recommend a revision in the State allotment formula so that is based on aggregate State need.

Overall, as we stated last week USSA finds the Administration proposal seriously wanting in the area of grants and urges a very careful examination of the ramifications of its enactment into law.

I once again thank you for the opportunity to be here and I would be happy to answer any questions.

Mr. FORD. All of the panelists have observed the format that has evolved here. We would appreciate it if you would, in fact, for the record help us develop a genuine exchange between members of the panel and the representatives of the administration on the issues that seem to raise the important questions in your mind.

I think that we could start. Would you rather make a statement, Peter, before or wait?

Mr. VOIGT. It would be just a brief statement, Mr. Chairman.

Mr. FORD. Fine. I recognize Peter Voigt first.

STATEMENT OF PETER VOIGT, BUREAU OF STUDENT FINANCIAL ASSISTANCE, ACCOMPANIED BY MICHAEL O'KEEFE

Mr. VOIGT. Thank you. I am pleased to be here.

Let me first apologize for Ms. Sedicum's absence. She is involved this morning in another hearing. I am instead accompanied by Mr. O'Keefe, who we are pleased to have with us.

Briefly, Mr. Chairman, I would like to summarize the administration's position on the grant programs. We basically think they are working extremely well. The proposals we are advancing are designed to improve the programs in terms of administration at the institutional levels, to try to make the programs more equitable, and also to try to permit the making of larger awards should appropriations become available.

I think the grant proposals, when viewed in combination with the other proposals in the administration's package, such as the single needs analysis proposal, the single form and others, reflect our position that the programs need to be simplified both for students and for institutions, and that discretion in the award-making process in putting packages together needs to remain at the institutional level.

Those are our basic thrusts in the grant area and we would be pleased to respond to questions from both you and the members of the panel.

Mr. FORD. All right. Bette Hamilton.

STATEMENT OF BETTE HAMILTON, AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

Dr. HAMILTON. Thank you, Mr. Chairman.

I am pleased to present the views of the American Association of Community and Junior Colleges and the Association of Community College Trustees on the Carter administration's plans to reauthorize the grant programs of title IV.

We are still studying these proposals and every day find new ideas and provisions that are interesting. We would like to reserve the right to comment on any other proposals that we may uncover at a future time. We regret that the administration would continue the inequitable treatment of low-income students who attend low-price institutions by extending the one-half cost limitation in the BEOG program.

On March 20, Secretary Califano proposed three possible solutions for dealing with the one-half cost problem. Unfortunately, none of these was considered; and the problem of discriminating against the poorest of college students, those with zero family contribution, remains with us.

We sincerely hope the subcommittee will address the inequity of the one-half cost provision for students with zero family contribution attending low tuition colleges before the lower priorities of increasing the maximum BEOG ceiling or making more guaranteed loans available to middle and upper income students are enacted.

We oppose the administration's attempt to compute social security survivor benefits and veteran education benefits as student assistance grants. Both social security benefits and the GI bill stipends are entitlements in most cases used for family subsistence, and they should not be confused with student assistance programs. Workers paid into the social security system to protect their children, and veterans gave of their time and endangered their lives to serve their country. Veteran education benefits are a GI bill of rights, an entitlement, a bonus for services rendered. We have no objection however to their being considered as part of family income.

But to confuse social security and veteran benefits and reduce and apply them directly to the BEOG grant is not in the country's best interest. We suggest that the term "cost of attendance" as it is used in section 411 of the administration's draft bill be expanded to include the cost of child or day care while the parent is attending classes and the cost of transportation for commuters.

The commuter allowance, presently $1,100, determined by current regulations, is in lieu of room and board charges for commuters. it does not take into consideration transportation, and this cost is escalating every day. We have had many calls from member colleges throughout the country concerned with gas rationing who have made inquiries about any kind of assistance for commuters. We really do think that you should consider transportation and gasoline expenses, close to $1 a gallon now, as viable requirements for the cost of attendance criteria.

We are concerned with the reduction schedule outlined in section 411 as it specifies the priority of payments in any year where funds are insufficient to satisfy fully all entitlements. The schedule would allow the reduction to increase as the entitlement decreases. This does not take into consideration the one-half cost limitation which already decreases the entitlement by one-half the cost of attendance.

We would ask that any reduction formula address entitlements before the application of the one-half cost rule. We regret that the administration has decided to delete the funding threshold triggers for the campus-based programs. We feel that the triggers, as amended by the Middle Income Student Assistance Act, have been very helpful in keeping the appropriation levels at a realistic level in the campus-based programs.

We suggest the funding threshold be maintained. We heartily endorse Congressman Weiss's less than half-time student aid bill, and we therefore would ask that additional amendments be made in the Supplemental Educational Opportunity Grant program.

We suggest that the minimum payment be reduced from $200 to some reasonable level such as $50. We ask that part-time students be allowed up to 8 years of eligibility to participate in the SEOG program and that institutions be allowed to use some or all of their SEOG allocation for needy less than half-time students.

We support the administration's amendment to the State Student Incentive Grant program which would allow for the participation of students attending on a one-half time basis. We would support a continued amendment allowing less than half-time students to be eligible.

We oppose the definition of "satisfactory progress" in section 495. We feel the administration would be violating the rights of institutions and students over such a definition. Students often become ill or have deaths in their families and for legitimate reasons have to take incompletes or drop courses.

A student's satisfactory progress should be evaluated by the institution he or she attends and not the Federal Government. We find this is Federal control of education and is much more dangerous than any proposed Department of Education or anything of that nature.

We find the student information section potentially troublesome. In regard to section 493A(a)(1)(j), are institutions to specify the courses of study that they do not offer as well as those they do? The language so states, and I am sure this is probably a drafting error.

Community and junior colleges would have difficulty supporting full implementation of section 493A(a)(1)(k). This is very similar, in our opinion, to requirements which are already being mandated by Congress under the Vocational Education Data System and which are going to cost in excess of $100 million to implement nationwide.

In community and junior colleges, we have to keep unit records on every single student who attends because we do not know what is and what is not a vocational education student. We have students dropping in and dropping out, some for only a semester or two. We have students taking one secretarial course and the rest liberal arts, and the like.

We think that the intent of this section is well-meaning, but we would ask that it be implemented by the use of survey sampling, national averages or the like, and not the followup of every single college student who would attend. Please, let's not create another VEDS unless the Federal Government is willing to pay for its implementation.

The American Association of Community and Junior Colleges also seeks clarification of the $700 self-help component. We are under the impression that the administration is to use one needs analysis system and one form, and yet there is no mention of the self-help component requirement in any program except the loan program.

We would like to know how this all relates. And in addition to keeping the one-half cost factor, which is already an implied self-help component, are they intending to additionally add on to low-income students another $700 of self-help?

Last, we oppose the administration's definition of "independent student." Such a definition would work to the disadvantage of truly independent students who are less than 22 years of age. We understand that the administration is saying that parents should be held responsible for paying the cost of their children's education, but we find that the definition as proffered by the administration is arbitrary and unreasonable.

In fact, we thought that age discrimination was eliminated by the 95th Congress in federally funded programs in educational institutions.

Mr. Chairman, those are our remarks and I stand ready to answer any questions and to participate in the seminar.

Mr. **Bailey** [presiding]. Thank you very much. This is Bette Hamilton, right?

Dr. **Hamilton**. Right.

Mr. **Bailey**. I don't know how you would like to do this. You mentioned in the last sentence of your statement that you seek clarification of concerns for administration's witnesses. Would you like to address them now or would you like to go on with the panel?

Mr. **Voigt**. I think it might be more useful if we go through the panel, Mr. Chairman.

Mr. **Bailey**. All right. Jerry Roschwalb.

STATEMENT OF JEROLD ROSCHWALB, NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

Mr. **Roschwalb**. Thank you, sir.

Since the chairman graciously has entered our formal statement for the record, I will summarize, especially with the other people here and time being constrained.

Dr. Hamilton's statement, I think, touches on so many of the points that our own association is concerned about that I can simply at the end refer to them where we are in agreement, and that is generally the case. I think I would like to focus on some other matters which might not be focused on by other members of the panel this morning.

There is someone missing from this panel, of course, and that is a representative from the Office of Management and Budget, because it is apparent that notwithstanding the intelligence and goodwill of HEW reflected in March in the testimony of the then Secretary Califano, when it came down to actually sending up proposals, some of the best ideas and most logical ideas disappeared.

I think much of the proposals of the administration are regrettably based upon the principle that if it costs, it is bad, if it is a cut, it is good, notwithstanding any further implications. The problem in dealing with this section of the administration's proposals—unlike the loan proposals, which are very complete and which, while they may have problems there that will certainly be discussed in the next couple of days, nevertheless can be dealt with in detail—silence is what is most important in these proposals.

436

Now, before we go any further, we should endorse some of the very good points proposed by the administration. The idea of averaging costs instead of requiring actual costs will cut down the great administrative burdens on institutions which really do not aid the program or enhance equity in the program at all. The 5 percent carryover reflects an administration understanding of how the programs actually work and that you cannot always calculate down to the last penny at the end of the year.

Carrying over the BEOG to the fifth year is, again, a reflection of how kids go to school today—how adults go to school today, and the idea of carrying that over makes a great deal of sense.

There is another very good idea, and that is separating the notion of information services by institution and providing students with the information they need from the administrative cost allowance. The problem is that it is a bit loaded, as Dr. Hamilton noted, by tying in the question of employment data and records. It may be that there is inadvertently the creation of a kind of paper race in which every institution is going to have to compile a great deal of unnecessary information.

I would remind our colleagues from the administration that we went through this in a regulatory activity. Mr. Bell was then the Commissioner, about 2 years ago. It was decided that only those institutions that blatantly held out to prospective students that they would earn good money as a result of their education would have to substantiate that by showing the record they had in placing students following graduation.

Other people, who were simply involved in offering what their catalogs said, would not have to provide these vast amounts of data, which no one yet has figured out what we would do with if we could compile it at a rather extensive cost. At that time, 2 or 3 years ago, we calculated it would cost something like $25 million a year for institutions to compile that information, while the FIPSE program was being funded at half that amount to try to find ways of cutting down expenses.

With regard to administrative costs, we have a marvelous sleeper here by the administration. They don't spell out the details, but perhaps I could take a moment to do so. We have a program right now, only one, which permits institutions to retain 4 percent of their college campus-based programs. With campus-based programs now running about $1.1 billion a year, this means that institutions have been able to retain in the current year, for example, approximately $45 million.

The administration's proposal aims at simplicity. Every student, by unduplicated count, would be worth $10 to the institution providing aid. That would come to about $40 million. So that the administration has succeeded in cutting better than 10 percent of what the institutions are now getting if those figures are correct.

I would welcome hearing from our colleagues in the administration if I am wrong. The idea they have, though, in principle is very sound, and that is that we ought to forget about the possibility of getting administrative cost allowances as line items on the budget.

We all remember that it was in 1976 that Mr. Ford and his colleagues on this subcommittee recommended a 5 percent administrative cost allowance in campus-based programs and that the Senate insisted that since it did not cost any more money to administer a $1,000 SEOG than a $500 SEOG, that it was much wiser to just give capitations.

So we now have in the law two capitation programs, a maximum of $10 for BEOG and a maximum of $10 for GSL. They have never been funded. They probably never will be funded. The administration last year, in a lapse, obviously, asked for the funding of those programs, and the House, in keeping with its compromise approach to the program, agreed to fund the program. The Senate, where we had the idea pushed in the first place, of course, knocked it out, and in the conference, we lost it.

So those programs have never been funded. It would be wise to follow the administration's proposals by retaining the 4 percent for campus-based programs we now have, and then perhaps putting into law an automatic appropriation of $10 per BEOG or a 1 percent of the BEOG program appropriation. They add up to approximately the same amount, whichever would seem more equitable.

The amount of money would not be overwhelming. It would be less, in fact, than is authorized at the moment.

I might add there is something else that the administration proposal does that is equally significant. Because of the history of the campus-based programs, the dollars are concentrated. There are relatively few dollars in the community colleges Dr. Hamilton represents this morning.

If we went to a $10 per head, you would see enormous shifts. I checked with one institution, for example. Princeton University now receives a little better than $2 million a year in campus-based program funds and, therefore, has about $80,000-plus for administrative cost allowance. But they only give aid to about 2,100 students.

As a result, they would go from about $85,000 to $21,000, a 75 percent cut in their available dollars. This money would be shifted over to people who are now not getting it and need to get it, but they would get an inadequate amount. Princeton would get an inadequate amount and we would have the kind of equity in which everybody was unable to meet their administrative costs.

There is another matter that the administration does not address at all, though by implication it should. Elsewhere in the proposals, the administration wisely talks about research funds for facilities in order for the institutions to carry out their research obligations. Facilities are necessary.

We recently, incidentally, had a report from the Wage and Price Council that pointed out that the reason we are in the inflation we are in now is because of a lack of productivity, and there is a strong recommendation that R. & D. has to be increased. In this sense, the administration has been consistent and deserves every praise for the energy put into getting the right kinds of appropriations for research programs.

Unfortunately, they have forgotten who does research. They start out as first-year graduate students. Statistics we are now beginning to compile indicate to us that there is a remarkable dropoff in the numbers of poor kids, students from low-income families going to graduate school. To put it in another way, there is an inordinate amount of emphasis on available dollars in the minds of students who graduate from college, usually with debts, on whether they are going to go on to graduate school.

If they come from poor backgrounds, the chances are they won't. The discrepancy is now getting to the point where there is a 25-percent differential. We would be happy to provide the data we have compiled on this. We recommend consideration of a first-year SEOG program for graduate students to be kept separate from the regular program so there is no incursion in the funding or in the administration of the program.

The money would have to be distributed differently. Obviously, State allotments would not make sense because that is not the way graduate schools are operated. But we have and would be happy to send to the committee some details on how we think this could be run at not a very high cost, but it would prevent us from losing the brains and energy of a large number of people from lower income families who are now not going to graduate school.

I might add that it is interesting to note that the administration recommends raising the ceiling on SEOG because they recognize inflation. At the same time, it is the same administration which recommended a cutback in SEOG funding this year. If the two things were carried out, we would have fewer people getting larger grants, and I am not sure of the logic in that.

If we are going to recognize the impact of inflation throughout this legislation, and the administration does that when it sort of hints seductively that maybe the BEOG program ought to be raised also. But we are not going to suggest that. It says we will let the appropriations committees commit themselves. It has not been known too frequently for appropriations committees to raise levels like this, particularly in times like this.

If the administration is serious about the necessity for raising BEOG's, and I think data suggests that even if we got the current inflation under control, the current $1,800 BEOG might be worth no more than $1,400 or $1,500 during the lifetime of this bill when it ends, then we come down to what Dr. Hamilton has already proposed.

If we raise the level of the BEOG, we will be putting most of those additional dollars into people who need it, but they will tend to be middle-class students. Many of them would be the students for whom this committee led the battle last year, middle-income students who need aid, but the same students who have been denied what they desperately need, students who go to low-cost institutions from low-income families who are deprived of that money by the half-cost provision, would not get a nickel more from raising the BEOG ceiling.

They once again would be cut off by that half-cost provision. We agree with former Secretary Califano and his colleagues at HEW who said that this inequity must be done away with. We recognize that we live in a world in which dollars are not easily come by, but since the administration is so deeply concerned about expending money, we should modify half-cost—I say modify as opposed to dropping the whole idea, because there are problems we can conceive that people are nervous of, the free-ride notion, for example.

It doesn't happen, but we would go along with that. But even if we were to change it moderately to a one-third cost, the cost to the Federal Treasury would be about $120 million. All of this money would go to students of families with under $19,000 income. The vast majority would go to students who are from families of under $12,000.

We would then have students able to receive up to two-thirds of their costs from the BEOG program, that would not cause any harm to anyone, and that change would be remarkably reasonable in terms of its impact on 800,000 students.

We support also, because the same students are involved or at least half of them are involved, a change in the commuter allowance. The $1,100 has nothing to do with the real world today. It is probably closer to $1,850, and thanks to inflation, it keeps rising. So you have the same students repeatedly hit by denying them the funds of the program which was created for those students particularly in the first place.

I would merely say, in concluding, that we concur with the comments made by Dr. Hamilton regarding the independent student. The administration has had a talent in recent years for solving problems by denying they exist. This time we have a solution where we don't have a problem.

With regard to cutting the VA benefits, likewise my association would concur with the comments of Dr. Hamilton. There is no justification for interfering with entitlements and insurance programs in what is basically a student aid program. We are not terrified, as the administration is, that some student who is a veteran might be receiving a couple of hundred dollars more a year than his actual costs of education.

Thank you, sir.

Mr. BAILEY. Thank you, Mr. Roschwalb.

Peter Gossens.

STATEMENT OF PETER GOSSENS, DIRECTOR OF GOVERNMENT RELATIONS, NATIONAL ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES

Mr. GOSSENS. Thank you, Mr. Chairman, Mr. Jeffords.

I appreciate the opportunity to appear before you today go give you the views of the National Association of Independent Colleges and Universities on the administration's proposals for reauthorization of the student-grant programs.

Let me say at the outset we are pleased with some of the administration's proposals to improve Federal grant programs in that they suggest clarifying and simplifying amendments which serve to reduce some of the existing administrative problems, both at the institutional level and within OE. But we are disappointed with others which tend to restrict the availability of student-grant funds.

In fact, on Mr. Voigt's summary of the administration's student-grant proposals that they are working well, that there are needs to improve administration, provide equity, simplify and maintain discretion at the institutional level, we totally concur.

However, in some of the other details we do not concur. Among the proposed changes are suggestions to change from actual to average costs in computing student budgets on which grant amounts are based. As you have already heard, the use of actual costs has been a significant problem at the campus level.

In addition, the administration proposes to remove from the legislation the cumbersome exceptional financial need and "but for" language in SEOG and the "substantial financial need" SSIG language which has tended to keep SEOG and SSIG funds from reaching students with demonstrated need.

We especially applaud the removal of the "but for" language because that language has been used in the past by the Office of Education and HEW as a mechanism to require students to exhaust all self-help possibilities before receiving any SEOG aid.

This legislative change would remove all doubt that SEOG is in fact the first program to be used after Basic Grants in constructing a student financial aid package. However laudable these proposed changes may be, they do not cover up the fact that once again the Office of Management and Budget has prevailed in its constant attempts to curtail the amount of grant funds available for needy students in all sectors of postsecondary education.

Furthermore, it appears that these grant proposals seem to have been developed without any regard to an overall Federal student aid policy goal, with the possible exception of a goal to restrict available grant funds.

As you know, Mr. Chairman, in an effort to assure a balanced growth of all Federal student-aid programs, NAICU has proposed that the Congress establish in the legislation a Federal policy goal of providing 75 percent of student need from Basic Grants, SSIG, SEOG, institution and State matching payments and parental contributions, and the remaining 25 percent of student need from self-help programs.

We are disappointed that the administration has not chosen to recommend an increase in the Basic Grant maximum. You have already heard from some other witnesses the problems which exist with that nonincrease in the Basic Grant maximum. We have all recommended that the Basic Grant maximum gradually increase to $2,400 by 1986-87 in order to keep pace with inflation and the rising costs of postsecondary education today.

A further disappointment with the administration's recommendations is that they have done nothing to relieve the existing inequity in taxation of assets in the family home. As NAICU witnesses have previoulsly testified, we have anecdotal evidence now of middle-income students, and even some students from lower income levels, being denied Basic Grants due to the taxation of assets in the family home.

The result of both these factors taken together—no increase in the Basic Grant maximum and no relief from the inequities of the current taxation of family home assets—will be that a substantial proportion of those students that members of this subcommittee worked so hard to help last year through the MISSA legislation will continue to be denied a Basic Grant.

Add to those factors the administration's proposal for repealing the threshold provisions and in effect you have the administration giving a student a $1,800 Basic Grant with one hand and saying that is all he or she needs to keep up with inflation and the rising cost of education.

With the other hand, the administration effectively takes away any possiblity of making up the resulting shortfall in meeting student need by removing the threshold provisions, which have protected at least modest growth in SEOG and the other campus-based programs over the last 7 years. NAICU witnesses and others who have appeared before your subcommittee in this round of hearings have suggested to you that the facts of life on college campuses will lead you to an exactly opposite result, that the $1,800 Basic Grant maximum is not sufficient and that there needs to be some mechanism in the law to assure a balanced growth of SEOG and other campus-based programs.

For example, Mr. Chairman, preliminary results from the NIICU Student Aid Recipient Data Bank show that more than two-thirds of undergraduate dependent student aid recipients in independent higher education this past year needed some combination of Federal, State and institutional need-based grants, together with work and loan programs, in order to meet their financial needs.

Thus, at least for the independent sector, on which the only actual data is available for this last year, it is absolutely critical that some Federal student aid policy goal be established to assure the balanced growth of all existing student-aid programs. It is also extremely important that the Supplemental Grant programs continue to be available at least at present funding levels.

For one of those Supplemental Grant programs, SSIG, NAICU is pleased that the administration is not trying once again to impose additional Federal standards on the States; however, their recommendations again represent an attempt to limit Federal support for student grants. When fully implemented, if you work through the numbers on the 5-year phaseout, the administration's proposals would have the effect of requiring States to double their existing student grants appropriation in order to receive the same Federal match, thereby changing the current program of providing one Federal dollar for every State dollar to a program of providing one Federal dollar for every two State dollars.

We believe the SSIG program is working as intended, and offer as evidence the fact that State student-grant dollars have grown from $300 million to $960 million over the last 6 years since the program was created. The effect of the administration's proposal, if enacted, would undoubtedly be to limit the amounts of student-grant dollars State legislatures would be able or willing to appropriate. We believe the Federal/State students-aid partnership would be strengthened, not diminished.

The core of the NAICU recommendations for reauthorization of the student-grant programs would continue that strong Federal/State partnership as well as continue the growth of the existing Federal student-aid programs by: establishing the 75-percent grant/25-percent self-help policy goal in the statute; establishing a better mechanism to assure the balanced growth of Federal student-grant programs by tying SEOG and SSIG appropriations to the Basic Grant appropriations; and continuing the policies established in the 1972 and 1976 amendments and strengthened by MISAA last year by building upon the existing statute, thereby helping to assure the continuation of the nearly $1 billion in State need-based grant programs, and the continued funding of the two Federal supplemental grant programs, SEOG and SSIG.

Let me thank you again, Mr. Chairman and Mr. Jeffords, for providing this opportunity to react to the administration's proposals for reauthorization of the student-grant programs. I would be pleased to attempt to respond to any questions you or other members of the subcommittee may have.

Mr. BAILEY. The subcommittee will recess for about 10 minutes for this important vote. We will be back very shortly.

[Brief recess.]

Mr. BAILEY [presiding]. The subcommittee will come to order.

We have just finished a statement by Peter Gossens. I believe you had finished, Mr. Gossens.

Mr. GOSSENS. Yes, sir.

Mr. BAILEY. Don Holec is next. Mr. Holec.

STATEMENT OF DONALD HOLEC, DIRECTOR OF FINANCIAL AID, PURDUE UNIVERSITY

Mr. HOLEC. Mr. Chairman and members of the subcommittee, I am Don Holec, director of financial aid at Purdue University, and also chairman of our National Association of Student Financial Aid Administrators, Committee on Governmental Affairs.

It is a real pleasure for me to be here, to again have the opportunity to discuss the administration's bill to amend the Higher Education Act. My comments today will be limited to the changes suggested by the administration to amend the Basic Educational Opportunity Grant program and also the Supplemental Educational Opportunity Grant program.

There are several proposals that we wholeheartedly support. There are also several areas in which we strongly oppose the administration's suggestions and others where we are disappointed that the administration has not even addressed.

Let me begin by reviewing the proposals relating to the Basic Grant program. The administration has proposed some new language in the statement of purpose of the grant programs, which clarifies the responsibility of the parents to pay for their children's education. We feel that such language is important as a tenet of need analysis but it is inappropriate in this section.

We have previously recommended that language is needed under the statement of purpose to establish the Basic Grant program as a true entitlement. This change would insure all eligible students that funds would be available for each year that the program is authorized and would eliminate the uncertainty that now exists from year to year funding decisions.

We are very disappointed that the administration has not included specific language which would increase the annual maximum Basic Grant award above $1,800. Instead, language has been included which leaves the determination of any amount above $1,800 strictly up to the actions of the Appropriations Committees.

While we fully realize that the final recommedations may well come from the Appropriations and Budget Committees' marks, we feel it is impertive that the authorizing committee at least include its recommendations of what the amounts should be in the legislation.

Our reason for this is simply that no other committee, except the authorizing committee, spends the time in reviewing, analyzing, and studying the educational and financial needs of our students. Other members of Congress, including the Budget and Appropriations Committees' members, look to the authorizing committee for guidance and recommendations.

Therefore, we hope you will reject the administration's suggested approach and support the annual step increases in the maximum award that most of the higher education associations have endorsed.

We also oppose the administration recommendation that one-half of a student's benefits from the Veterans' Assocation or the Social Security Administration be subtracted dollar-for-dollar from the student's Basic Grant award. Currently, social security benefits are calculated as family income and are taxed as any other form of supplemental income.

This seems to us to be a fairer method, rather than penalizing these students who, on the average, have lower family incomes than the normal college-going student population. Likewise, the current treatment of VA benefits seems to be realistic, particularly when under the current GI bill a substantial portion of the benefits were supplied from the veterans' own contribution.

We are very pleased that the administration has dropped the term "actual cost of attendance." However, the new definition recommended for the term "cost of attendance" does not satisfactorily eliminate the problem that students residing in off-campus housing have in obtaining a reasonable budget for determining their Basic Grant award. Therefore, we suggest that the substitute amendments which NASFAA submitted earlier be used for this definition.

We also are pleased that the administration has liberalized its definition of what constitutes a fifth year for Basic Grant eligibility and support the new reduction language which protects the neediest students. However, at the same time we are very displeased that the administration has eliminated the 10.5-percent assessment rate which our association worked to achieve in enacting the Middle Income Student Assistance Act and which you, Mr. Chairman, and this committee supported.

Likewise, we note that the threshold levels have been dropped from the administration's recommendation. The threshold levels which were enacted in 1972 have proved essential in insuring that students are able to obtain a balanced aid package of grant and self-held aid sources. Therefore, we oppose both of these suggested modifications.

The administration has proposed that funds appropriated remain available for an additional fiscal year. Due to the timing of appropriations and when funds are spent by institutions, this period is too short to effectively reallocate any funds not needed by a particular institution. We propose that appropriations for SEOG remain available for 2 fiscal years following the year in which they are appropriated.

We support the administration's recommendation in the SEOG program to increase the maximum annual award to $2,000. We also support the elimination of the matching provision. However, we do not see any need to include a cumulative amount when the award is already restricted by the annual award and the number of years of eligibility.

Likewise, we propose that the $200 minimum annual award be clarified to permit a proportionally smaller award if a student plans to enroll for a period of time which is less than a full academic year. We also note that the administration's proposal would eliminate the exceptional financial need criteria and the one-half of the sum of the total amount of student financial aid provided to the student by the institution criteria from the SEOG program.

This certainly greatly changes the emphasis of the program and we would like one of the OE representatives to respond to this issue later this morning in terms of what is the intent of this change.

We also would like an explanation as to why section 413C has been modified to state "if the individual makes application at a time and in a manner consistent with the requirements of the Secretary and the institution" rather than as it currently is stated, "if the individual makes application at the time and in the manner prescribed by that institution in accordance with regulations of the Commissioner—or Secretary, as the case may be."

Another change proposed by the adminstration is to remove from each of the program descriptions the individual eligibility criteria and to simply include them all under the student eligibility section 495. While we favor this type of consistency and simplicity, we do note one new addition: That the student must not owe a refund on grants previously received at any institution under this title and must not be in default on any loan made under this title for attendance at any institution.

The current restriction restricts it to students who owe a refund on grants or who are in default on a loan at the same institution. This is a significant change. The rewording of this section substantially increases the time it will take to process the application of a student who is transferring from one school to another, and it places the institution in a position of liability for which it has little control.

We can appreciate that a school has a responsibility to regulate these factors on its own campus, but it is unrealistic to expect it to monitor a student's previous performance or action at all other institutions, or lenders, without creating an expensive and burdensome process.

One other change offered by the administration is new procedures to review the family contribution schedules for all programs as decribed in section 494. Not only are we opposed to the statutory language presented by the administration, which fails to address who will be involved in developing such a system, but we feel additional language is needed to insure an orderly and timely process for resolving these differences. Perhaps this also could be explained further by OE.

Thank you again, Mr. Chairman, for the opportunity to appear today. I will be happy to respond to questions at your convenience.

Mr. **Bailey**. Thank you, Mr. Holec.

How long have you been at Purdue?

Mr. **Holec**. I have been at Purdue for 7 years.

Mr. **Bailey**. That is a fine football team you have.

Mr. **Holec**. We think so, too. We are looking forward to the Rose Bowl this year.

Mr. **Bailey**. Michigan might get in your way.

Mr. **Holec**. Well, no comments there. [Laughter.]

Mr. **Bailey**. Joel Packer. I am looking forward to this, Joel.

STATEMENT OF JOEL PACKER, LEGISLATIVE DIRECTOR, UNITED STATES STUDENT ASSOCIATION

Mr. **Packer**. I will try to make it worthwhile. I would like to thank you for the opportunity to be here today.

Before I review my comments, I just want to mention that I appeared before this subcommittee on May 16 and presented the views of my association regarding the student-grant programs. I would refer the subcommittee to that statement for more detailed information on our proposals for modifications in the grant programs.

Looking at what the administration proposes, perhaps what is most significant about the recommendations is not what they have proposed for change but what they have chosen to ignore. Regarding the Basic Grant maximum award, we feel the administration has really skirted this issue by not recommending a new higher award figure.

We are happy they seem to recognize the need for an increase in the maximum, which has remained at $1,800 since 1976. As the other associations have stated, we also believe it is important for Congress to set in law a maximum which would serve as a goal to work toward. Without a stated maximum award, it is clear that the Appropriations Committees will find it easier to avoid increases.

If you look at the effects of inflation on the original $1,400 grant, a maximum award of $2,400 in fiscal 1981 would be necessary to maintain the value of that original grant. We would recommend, as the other associations have, a series of step increases set in law that would bring the maximum in the range of $2,500 by fiscal 1985.

However, while we support a rise in the maximum Basic Grant, USSA sets as our highest priority the removal, or at a minimum, the modification of the half-cost limitation. Not only does the administration not change this, but the Secretary's testimony, delivered by Fred Bohen does not even mention this as an issue.

Without removal of half-cost, over 800,000 low-income students, generally attending lower cost institutions, would receive no benefit from raising the maximum Basic Grant. These students, affected by half-cost, are not receiving much other grant aid. According to data from a recent study performed for the Office of Education by Applied Management Sciences, only 10 percent of the cost of attendance was met by other grant aid for students affected by half-cost who were attending public 2-year institutions. These students had to make up almost 50 percent of their college costs through self-help.

There is no need to once again recite the litany of arguments in favor of removing half-cost. We would simply urge you to take action to do so. The students affected by half-cost are actually doubly hurt because of the so-called commuting allowance. Under current laws, schools must use the actual charges for campus room and board for determining the student's cost of attendance. HEW has proposed this be modified so that students can use an average charge. However, for off-campus students, a national figure of $1,100 is required. Obviously, a student cannot pay room and board for 9 months for only $1,100.

Most of the students who are affected by half-cost live off campus and therefore are affected by this rule. In fact, at 2-year public institutions, 96 percent of students affected by half-cost live off campus. We would recommend, as NASFAA has done, that campuses have the right to estimate an average off-campus living expense for students who live with their parents and a different off campus living expense for students who are independent.

The next proposal the administration makes is to revise the method of treating social security and Veterans' Administration benefits students receive in the determination of their Basic Grant award. Again, as has been stated by other groups, this is an inequitable proposal and we would oppose this.

This year, as you know, the President tried to have Congress completely abolish student social security benefits. The United States Student Association, along with a broad coalition of groups called Save Our Security, organized against this proposal and it was rejected.

Now the administration is attempting to accomplish through the back door what it could not do up front. In my testimony there is some data regarding social security benefits, which I will not read through right now. I just want to read one quote from the Social Security Administration themselves which articulates clearly the role and purpose of the student social security program.

They said, and this was in 1976:

> Unfortunately, the student benefit is sometimes misunderstood to be a form of aid rather than a component of family income, despite its name and the requirement for school attendance. The student benefit program is not a grant, scholarship, loan or aid program. The distinction is fundamental.

Similar arguments could be made regarding the distinction of veterans benefits as not being student aid in a direct sense. USSA would urge that the changes proposed by the administration for considering these other benefits be rejected.

Two changes the administration made that we did like in Basic Grants are the revision in the language limiting BEOG and SEOG as well to four academic years, and the new reduction formula for Basic Grants. Regarding the time limitation, current law limits Basic Grants and Supplemental Grants to 4 years with two specific exemptions in law: If the course of study normally requires 5 years, such as an engineering program, or if remedial courses require the student to go on beyond 4 years.

The new proposeal would allow the institution to determine, due to individual circumstances, that an individual needs an extra year. We would urge this proposal be adopted because data shows that only about 50 percent of students actually complete their bachelor's degrees in 4 years, and therefore there are many students who are adversely affected by the current 4-year time limitation.

In addition to these recommendations, I just wanted to point out several others we have already submitted to you that were not included in the HEW bill. These are making Basic Grants a true entitlement, treating independent students with dependents the same as a dependent student's family in calculating the Basic Grant, directly prorating the award when a student is attending less than full-time, and reducing the minimum grant from $200 to $100.

Turning to SEOG, first, USSA strongly objects to the removal of the trigger for SEOG, as well as for NDSL and College Work Study. These triggers as recently as yesterday have served to protect the integrity of these programs. It was the triggers which were set into law that allowed us to work to get the Appropriations Committee yesterday to agree to fund SEOG and NDSL at the levels of $370 million and $286 million as mandated by law, instead of the levels of $340 million and $220 million as proposed by the President.

In fact, we believe that the trigger for SEOG should be changed from a dollar level to a percentage of Basic Grants, such as 20 percent. This will insure that SEOG keeps pace with increases in college costs and increases in Basic Grants and thus remains a viable program.

We support the administration's proposal to eliminate the distinction between initial year and continuing year grants. We don't see any useful purpose served by this distinction. We also support the increase in the yearly and cumulative maximum SEOG amounts to $2,000 per year and $8,000 cumulatively.

We have previously recommended this and think it is advisable due to the increases in college costs. However, it is important to note that unless more funds are put in SEOG, simply changing the maximum award will only result in some students getting more money while others will get less.

Due to the way funds are allocated to campuses, an increased maximum award alone does not raise an institution's need for funds. Other changes in SEOG supported by USSA include the inclusion of less than half-time students on a discretionary basis.

Representative Weiss has introduced legislation in this area, H.R. 4948, which should be given serious consideration.

We also recommend reducing the minimum SEOG award from $200 to $100, revising the State allotment formulas so that they are need-based instead of enrollment driven and establishing limited aid for graduate students.

On that point, graduate students are particulary hard hit by the administration's bill since they gain nothing and lose all interest subsidies for loans. Many low-income students will therefore be forced to incur ever-larger debts to attend graduate school or not attent at all. We would propose that institutions be given the authority to utilize up to 15 percent of their Supplemental Grant funds for graduate students.

Lastly, turning to State Student Incentive Grants, the administration has one major change here which is a new formula for determining the Federal/State match. Currently, the Federal Government matches each State dollar on a 1-for-1 basis, provided that the State does not reduce its share below that which it was expending when it first entered the program.

Many of the larger States, such as New York and Pennsylvania, are vastly overmatched, that is, the State's share far exceeds the Federal share. Therefore, an increase in their State allotment does not require them to put in new State dollars. They could actually reduce their State share substantially and still continue to receive increased Federal dollars.

We think, though, that the administration's proposal goes a bit too far in trying to remedy this problem. As far as we understand their formula, they would require that only new State dollars will be matched. Therefore, looking at New York, for instance, which is the State where I come from, New York would lose any Federal funds it gets unless it matched with brand new State dollars the Federal funds it gets.

This seems a somewhat harsh way of penalizing the large States and will possibly result in their dropping out of the program. We would recommend, instead of the administration language, the establishment of a rolling base year. This would require States to match any increase in Federal dollars with new State dollars but would not penalize them by reducing their current share if they chose not to increase their State share.

We think all of these formulas need to be carefully reviewed so that we reach a balance between stimulating an increase in State funding while not unduly penalizing States. We support here also the elimination of the distinction between initial year and continual year awards. In addition, we would recommend raising the SSIG maximum to $2,000, including provisions to encourage States to include part-time students and establishing a second tier to the program.

This second tier, which would be funded after the current program was funded at $100 million, would distribute funds only to those States which do specified things, such as including part-time or graduate students or allowing portability of grants.

Lastly, as with SEOG, we recommend a revision in the State allotment formula so that it is based upon aggregate State need. Overall, as we stated last week, USSA finds the administration proposal seriously wanting in the area of grants and urges a very careful examination of the ramifications of its enactment into law.

Thank you for the opportunity to be here, and I would be happy to answer any questions.

Mr. BAILEY. Thank you very much.

Before we put the administration on the block, I am sure you will have some questions that you will want to answer and there will be some additional questions for you.

Mr. Jeffords, do you have any questions?

Mr. JEFFORDS. I would prefer to hear from the administration first.

Mr. BAILEY. Mr. Edwards.

Mr. EDWARDS. [Nods negatively.]

Mr. **Jeffords**. All right. I am sure you fellows have several things you wish to respond to, so why don't you proceed.

Mr. **Voigt**. Mr. Chairman, I would be happy to respond in order. I don't know whose order, though.

Mr. **Bailey**. Why don't you take your choice.

Mr. **Voigt**. We do, indeed, have a litany. I think first of all I would like to briefly review our proposal that deals with the Basic Grant maximum ceiling. As you know, currently the ceiling is $1,800 minus the family contribution for the student, and that is not to exceed one-half of the student's costs.

As some of the witnesses have mentioned, we do see a need for increasing the ceiling. However, we think that that need differs from year to year. It differs by how the cost of education increases. It also differs, I think, by the kind of students and programs that are eligible to participate.

What we are proposing, Mr. Chairman, is a change in the law which would permit an increase in the ceiling without actually requiring a set annual increase and permit an increase in the ceiling, basically, based upon need. Should funds not become available to meet that increase in the ceiling, the ceiling would still be the current $1,800.

The reason we are proposing this is if you require a step increase each year and funds are not available, the distribution changes radically. If you have an established ceiling and you do not have enough money to fund that, the reduction language, which we are also proposing to change and make more equitable, comes into play.

And that reduction language does have serious steps in it which cause some equities between students. In addition when the reduction language comes into play, it does eliminate under any reduction language a lot of the students who would be eligible at full funding.

We think that our approach would allow the increase of the ceiling, would encourage an increase in the ceiling without having some of the serious inequities if that ceiling is not increased because of insufficient funding. Basically, that is our theory. It does permit the increase of the ceiling and does not automatically, if funds are not there, cause the implementation of the reduction language that is in the bill.

Mr. **Jeffords**. May I inquire?

[Mr. Bailey nods affirmatively.]

Mr. **Jeffords**. The problem that concerns me with that particular approach is that what you are doing is really taking away from this committee the responsibility of establishing what the particular standard ought to be for the BEOG and relegating that to the Appropriations Committee. I think that that is unfair and unrealistic in this sense. They are going to be looking at that $1,800 ceiling and saying that is what has been set and that is what we ought to follow and that is what we will appropriate on.

Basically, it seems to me it is up to this committee to determine what the standard ought to be for the Appropriations Committee to use to measure rather than to leave it up to the Appropriations Committee. They are looking for standards. If they have the $1,800 ceiling still in there, that is the one they are going to go by.

Let's be practical. I can't help but think that this was a better way to get around—it sounds like an OMB proposal to me to cast the burden upon the Appropriations Committee in Congress rather than having to face up to the need to appropriate more money in order to keep this program funded at an appropriate level.

Let me ask you. Did OMB have any input into this little gimmick?

Mr. VOIGT. As I remember, Mr. Jeffords, they did not. The problem we have now is that we have a ceiling, like we had a $1,800 ceiling in the 1978-79 year, but because of insufficient funding, the maximum award was only $1,600. I don't think, at least in our view, that this proposal would in any significant way change the amount of influence that this committee and the authorizing committees have with the Appropriations Committees, and I think it does, if that is indeed true, permit the increase of the ceiling.

Mr. O'KEEFE. If I could speak to this issue, there have been a general number of comments that suggest that some of our proposals are a rollback on our commitment to the middle income intitiative; that they are a rollback on the commitment of the administration of funding these programs. I think that is highly inaccurate.

I think that that is a construction that neither the facts of the past several years of appropriation requests for Basic Grant programs from the administration nor our actions in funding the other student-aid programs, nor, in fact, the increases that are inherent in our loan proposal would support.

Our intention in setting the maximum at a floating level is to remove what we have perceived as the unreality of setting something in law that we then cannot fund in a given year. And then we get into the kind of discussion that suggests that there was a quasi-entitlement that existed that we did not fund.

The administration does not support turning BEOGs into an entitlement program. The administration does support regular increases in the maximum to take account of increased costs and inadequate funding of BEOGs. We feel the best way of accomplishing this is to have a maximum which is simply established annually in the administration's budget proposal and in the appropriations process.

I fully understand the logic of what you say about setting some standards or some markposts in the legislation. But it has been or position that we would prefer to see that maximum floating.

Mr. JEFFORDS. Are you prepared to tell me that OMB is ready to recommend next year sufficient appropriations to cover an increase in the BEOG maximum so that it will represent inflationary increases?

Mr. O'KEEFE. I would like to be able to make a firm commitment for the administration to do that. We are not at the point in developing our fiscal 1981 budget to be able to know that as a fact. We are still in the midst of allocating the initial amount of money allocated to us by OMB within HEW.

It is strongly the intention that if at all possible, we would do that. I cannot commit that we would.

Mr. JEFFORDS. Who is going to determine if at all possible?

Mr. O'KEEFE. HEW will make the first determination in allocating the budget ceiling that has been given for fiscal 1981 among the various programs, and then in debate with the Office of Management and Budget and with the President through the fall and early winter.

Mr. JEFFORDS. I am disturbed by that philosophy. Do you have a figure, if you use the year that the $1,800 ceiling was set, as to what the maximum ought to be, that is, taking into consideration first, inflation, and second, if it is different, the increase in the cost of education.

Mr. VOIGT. No, Mr. Jeffords. We have no figures right now. It ranges roughly, if you take the program from its beginning, the academic year of 1973, and whether you do it by inflation or by cost of education, there is a difference in terms of the increases. But the figures range from roughly $2,200 to $2,400, as was mentioned here, by 1981.

But it should be noted also that since the beginning of the program, these maximum ceilings were not funded for a number of years. I think in the first year, the maximum award was something like $450, which then went to $1,000, and eventually to $1,400 and $1,600, and now we are at $1,800.

So the program itself was not fully funded every year.

Mr. O'KEEFE. The actual growth in the maximum, the actual appropriated maximum, has grown at a rate which has exceeded the rate of increase in tuition and fee expenditures. In other words, the amount each year of the increase as it has gone over the existence of this program has been greater than the rate of increase of costs.

Mr. PACKER. But that is only because the first couple of years it was so severely underfunded that it was not funded to the level Congress intended.

Mr. O'KEEFE. Even once it got up to the $400, it had still been growing at a rate to keep pace with increasing costs.

Mr. JEFFORDS. For how many years? Has it done that in the last 2 years?

Mr. VOIGT. In the last 2 years it went—well, in the last 3 years—from $1,400 to $1,600 to $1,800. That is the maximum award, not the ceiling. The ceiling went just to $1,400 from $1,800. It was changed in the 1976 amendments from $1,400 to $1,800.

Mr. HOLEC. If I could interject something, sir, I think it is important to recognize that if you keep the ceiling where it is at, say $1,800 or any other level, that the way the formula works for determining the eligibility, students actually fall out of the program even though their financial circumstances do not change at all.

Inflation is not fully recognized in terms of that particular formula, so if you have a $1,800 ceiling this year, a student might be eligible. If you have that same $1,800 ceiling the next year, the student's family circumstances have not changed but they could become ineligible because of the inflation affecting them.

Mr. JEFFORDS. Is there any regular way of determining or is there a regulatory way by which the cost of education is determined?

Mr. VOIGT. For the Basic Grant program, Mr. Jeffords?

Mr. **Jeffords**. No; not for the Basic Grant program. I mean if we are trying to measure the increase in the cost of education, how is that determined? How do you make that figure?

Mr. **Voigt**. Basically on the basis of surveys conducted by the Office of Education and private organizations. The College Scholarship Service does an annual survey on the cost of education.

Mr. **Jeffords**. The administration recommended that the present figures for SEOG, NDSL and CWS be eliminated, again allowing the appropriations to set the policy. What is the rationale for that? Is it the same?

Mr. **Voigt**. Basically, again, we think that these programs and funding for these programs should be done on the basis of need. We think in some cases the triggers are artificial minimums or maximums, minimums as the case may be. I think you know if you look at, as Mike O'Keefe indicated, our history in terms of requesting funds for these programs, I think we by and large have exceeded the triggers and certainly supported these funding levels through the Middle Income Student Assistance bill.

We believe that that kind of flexibility should be there. You should not have these artificial triggers in the program.

Mr. **Jeffords**. Is your recommended appropriation level less than the trigger amount this year?

Mr. **Voigt**. This year in two cases it is.

Mr. **Packer**. If I could, since Basic Grants was enacted, all of the administrations, not just this current administration, have consistently recommended less than the trigger levels for the programs, almost year after year. Previous administrations tried to completely eliminate funding for SEOG and NDSL time after time, and the current administration this year recommended less than the trigger levels.

In the President's first budget in fiscal 1978, he recommended below the trigger levels for some of the programs. So I think here that there cannot be really any argument that the trigger levels have worked to not just increase, but to maintain the very existence of these programs. And I think that is a really high priority, if not to expand the level of the trigger, to at least maintain it at its current level.

Mr. **Jeffords**. Why don't you continue?

Mr. **Bailey**. Mr. Edwards, do you have any questions?

Mr. **Edwards**. I don't have any questions. I would like to just make an observation that I very seldom find myself in a position of being complimentary to this administration, but I feel that some of the things the administration representatives are saying are valid. I think we have a tendency, when we establish a program and that program is based on helping people in need, that after a while we do tend to move toward entitlement procedures with automatic increases whether needed or not.

While I hope that we continue to operate programs like this and to fund them as much as we are able to do to try to increase the kind of education, the quality of education available to students, I think it is good to see some people at least trying to hold the line against letting programs automatically move into an entitlement mode, and I appreciate that.

Mr. **Bailey**. Thank you.

Does anyone else on the panel want to respond to what has been discussed?

Mr. O'**Keefe**. I would like to comment, Mr. Chairman, if I could, a little bit on our proposal for the reduction schedule, for the change in the reduction schedule in BEOG. I think there is possibly some misunderstanding of what it is.

First of all, the reduction schedule is not applied after the half-cost rule. It is applied before the half-cost rule in the current legislation and in our proposal.

Second, the proposal that we make for the reduction schedule is a very modest change in what is in the law currently. And the purpose of it is to eliminate what we regard as discrepancies in the current reduction formula. Currently, the reduction formula has steps in it so that if a student is one side of that step, he might get a reduction of several hundred dollars. If he is on the other side of that step by $5 in his Basic Grant, he will get substantially smaller reductions in his grant. So that there is a discontinuity, as it were, in the reduction.

What our proposed reduction schedule language does is simply make that uniform. It does not change the direction of the reductions. It does not change the protection of the student who is receiving the largest grants. Under the current reduction formula, if you receive between $1,600 and $1,800, you do not get reduced at all.

We would not propose changing that. All we would do in that proposed reduction language, which I think is a very simple change but I think is an important one, is to smooth out that reduction schedule so that it is uniform, so that there are not those discontinuities in the reduction language.

So it really is very similar to current reduction language. We will be presenting some tables for the committee to look at indicating how it does, in fact, operate, but basically it is the same.

Peter, do you want to comment further?

Mr. **Voigt**. I think the next item I would like to discuss, and I think it may take some time, is what is obviously a hot question, the question on the half-cost provisions. Let me back up just a moment and indicate that in looking at the half-cost provision, you have to look at the program as a whole, the fact that there is a ceiling from which you then substract the family contribution, and then only at the end when the student's award is determined does the half-cost provision come into play.

In other words, a student with a zero family contribution, a maximum grant eligible student, going to a school that costs more than $3,600, regardless of what that student's need is, if it is $7,000, cannot get more than $1,800 in awards, whereas the students, as they go to lower cost schools, do then tend to take reductions in their awards.

The theory behind this is the program is basically based upon need, and I think the philosophy is that you try to meet within the ceiling roughly the same level of need for students regardless of what type of school they attend. Frankly, the way the half-cost provision works now is that for a large portion of students going to low-cost schools, they are even under the current formula getting more of their need met than a student going to a higher cost institution, and I think that is just the way the formula operates.

I think eliminating the reduction formula would tend to structure the program so that students going to low-cost schools end up having an increasingly larger portion of their cost of education met, whereas students in higher cost institutions really are not affected. They still take these fairly high reductions.

Remember, too, we are talking about the low-income students in all kinds of institutions. I think one of the things the half-cost provision does do is, to some extent at least, make the Basic Grant program neutral to the type of institution they intend. It does not favor one kind of school substantially over another, unless you really are talking about the higher cost schools which are affected by the $1,800 ceiling, costs which are higher than $3,600.

We debated long and hard about what changes might be made in the half-cost provisions or the cost limitation, and obvioully, the changes are endless. And each one of these changes has some impact on how funds going to students are distributed among schools.

Many of these changes, obviously, have in our view negative impact. And as long as you view this program as a need-based program trying to meet a portion of the student's need, we feel at the moment the half-cost provision is the best way to handle it and is the most rational approach unless you go to a program that has no ceiling and funds everyone and provides them all with a free postsecondary education.

And obviously, that is not in the cards. I should also note that changing the half-cost provision has some very serious budgetary impacts, major budgetary impacts, and as a result, given the equities and given the budget nature of the problem, we do not feel that a change in the half-cost provision is warranted at this point.

Mr. O'KEEFE. Mr. Chairman, could I add to that a little bit, I would suggest two considerations in looking at the half-cost rule. First, you as a committee as you review this should look at the actual effects on a given student. You should look at some sample illustrations of what elimination of the half-cost rule would mean.

Let me give you a couple of examples and show you why we are concerned about the simple and direct elimination of the half-cost rule. For a student with a relatively low income, say a family income of about $7,000, who is attending a school that has zero tuition, that student currently receives a Basic Education Opportunity Grant of about $750.

Now, that is zero tuition and fees at that institution. Simple elimination of the half-cost rule would double that BEOG. In other words, there would be an increase of $750 a year for that student going to a zero-tuition institution. For a student who is attending an institution that has a tuition level of about $400, which is certainly in the range of what many, many public colleges or 2-year colleges have, that student is receiving a grant of $950 and would receive an additional $850 per year with the elimination of the half-cost rule.

Even up a higher income level or a more middle-income level, to wit, a family income level of $13,000, attending that school with a tuition of $400 a year, that student receives a grant of about $950 and would receive a $350 increase in the Basic Grant with the elimination of the half-cost rule.

We feel these are very significant increases for students whose major costs are associated with living costs, which in most instances are costs of living at home, which are costs the family has been bearing through the elementary and secondary and high school years and which should not be covered by this program to the extent that the elimination of half-cost rule would do it.

The second consideration I would suggest to you is elimination of the half-cost rule would alter the Basic Grant program in such a fashion that to us we would have concerns with the potential inflationary effect of that program. Eliminating the half-cost rule would mean that for any student whose cost of education was up to $1,800 or up to whatever the maximum was for that year, that if that institution increased tuition, the full increase would be borne by the Basic Grant program.

None of that increase would be borne by the student. That is to say, an institution that is charging, say, that $400 tuition could increase that tuition another $100 a year, and without the half-cost rule, that $400 increase would be absorbed by Basic Grants, not by the student, the parent, or anyone else close to that situation.

Our concern is that by making that change in Basic Grants, you would produce a tremendous incentive for the low-cost institutions to raise their tuition so that the total cost of education would be up to that $1,800 level, since none of that increase in cost would be seen by the student or the parent, who would be the logical one to object to a tuition increase.

So I recommend to you those two considerations: (a) that elimination of the half-cost rule means a very substantial increase in BEOG for certain kids, and (b) that it will alter the Basic Grant program so that it does have an inflationary effect for low-cost institutions.

Dr. HAMILTON. May I respond to that?

Mr. BAILEY. Yes; you certainly can. But I don't think this is a good time to do so. We are going to have to break now to go over for a very important vote. We must all go over there. I am going to suspend the subcommittee's proceedings here for, let us say, 15 minutes, but I will call over in case we bump into a problem. We may have to stay over there. I am not sure. We have an important matter right now.

So prepare your answer.

[Brief recess.]

Mr. BAILEY [presiding]. The subcommittee will come to order. When we recessed, I believe Dr. Hamilton was getting ready to make a strong remark.

Dr. HAMILTON. Actually, some clarifications for the record, Mr. Chairman.

First of all, I think it important to realize that our need-based formula is not need related but is tuition sensitive. That is a very great distinction.

Second, 25 percent of the college students in this country who attend community and junior colleges live in California where there is zero tuition. These students are living at home but they are not children. The average age in community and junior colleges is 30. Over two-thirds of the students attend on a part-time basis.

It is irresponsible to say that community and junior colleges would automatically increase their tuition because of some kind of Federal playing with any kind of student-aid program. In fact, if one were to look at our sector realistically, you would find it is the most nonresponsive sector to Federal policy initiatives of any sector in postsecondary education. [Laughter.]

In fact, regardless of what the Federal Government would do, create a market for higher education or the like, our institutions are still committed to low tuitions, to equal opportunity for their students, and for student access.

Even after proposition 13, not one institution in California has raised tuition, and I don't foresee any of them getting to charging tuition. However, tuition is the least important indicator of what true financial cost of attendance is for community and junior college students.

As I mentioned before in my testimony, transportation costs are outrageous for commuting students, and many of our students, because they are older, do not live with their families. They themselves have families. They are parents already. They have costs to comply with for their children, and the like, and they need child care. They need to be helped with transportation costs to attend school.

We are also talking about a Federal policy which should not be looked at totally apart from the actions of other committees, in fact, other subcommittees of this very committee. The committee dealing with CETA authorizes money for the CETA programs which are incredibly important to community and junior colleges. It is rather ironic that there are, for instance, low-income secretaries at community colleges who can only attend on a halftime or a one-course basis because they have jobs and family responsibilities and so forth and yet they can be completely ineligible for all Federal student aid. Yet, if they lose their jobs, these low-income office workers could become CETA students at the same community colleges and receive up to $7,000 or $8,000 in aid.

Now, in terms of the Basic Grant program and the one-half cost rule, the inequity is not among institutions which are public and private but among students of varying income levels who attend the same institution, and that should be understood.

If you have a student who has zero family contribution, that student receives no more aid than a student who has maybe $500, $600 or $700 family contribution attending the same institution. That is the inequity, and that is the part that the administration's program does not address.

Anyway, I think those are the major parts of my address, and I would answer any other questions.

[Mr. Bailey indicating.]

Mr. ROSCHWALB. I seem to be destined to follow Dr. Hamilton this morning. I would like to say I concur and would add a couple of observations.

First, the administration's concerns about the responses of institutions to Federal initiatives, again, as much of their proposal is inconsistent. They are, after all, talking about changing loan programs, removing 3-percent loan programs, putting a great deal more burden on students but guaranteeing available dollars.

They assume, although it will not happen either, that institutions would automatically respond in kind. That is not how tuitions are determined. They are not determined that way by public institutions, and private institutions likewise do not immediately respond. There may be a given institution here and there that would do so. But that is a strawman.

Another strawman is set up. We heard in the administration's remarks the word "elimination." I am aware that two of the people at this panel talked about eliminating half-cost, but I would like to note that a modification of half-costs would go a long way in equity because at the very top is where you have your problem.

Merely changing from 50 percent to 66 percent, a 16 percent change, which would involve about $120 million, would go a long way toward removing the inequity. We do not have to eliminate, and of course the costs would be less as would the problems that we referred to, although I don't think they would occur, nevertheless they would certainly be less.

I think we must talk about real situations. I have the privilege of working for 16 traditionally black colleges, the so-called 1890 land grant institutions. Their average cost of attending school, and that is the total cost, is about $2,200. It is not an accident that it is about 30 percent less than comparable institutions in the State, and their State legislatures worry about that.

The kids who go to those schools are kids who come from very, very indigent families. Right now they have to provide about a $1,000 to a $1,200 of self-help after they get their BEOG because the BEOG cannot be more than half of that. The schools get remarkably little other funds. When they get SEOG money, they find that they do not give it as a supplement to the BEOG program but they do give it to other kids who are equally needy. These are the kids we are talking about, the kids and the families who are being unfairly treated by the half cost. A modification of it would go a long way.

Mr. PACKER. I have two quick points because Mr. Roschwalb and Dr. Hamilton covered most of what we would agree with. First, Mr. O'Keefe claims that if we eliminate the half cost, it would be a great incentive for institutions to raise tuition. I would disagree with that.

First of all, 50 percent of students who receive Basic Grants now are not affected by the half cost rule, so they would receive no increased award there. And if tuitions were increased, they would have to bear the brunt of that as well as the 50 percent of college students in total who do not get Basic Grants at all and would have to bear the brunt of any increase in tuition.

So that while some students perhaps would not be "hurt" as much, I don't think institutions would be very likely to raise tuition solely in response to this change, because 75 percent of the students across the country would not be covered by that and would have to bear the brunt of tuition increases. And as Mr. Roschwalb pointed out, if anything is going to be an incentive to increased tuition, it is a proposal to entitle students to a loan up to their full needs so that as tutition rises, need rises, and the Federal Government steps in to meet that gap for everyone.

I think that would be more of an incentive for institutions to raise tuition than removing the half cost or, as pointed out, possibly modifying it and making it 60 percent, 70 percent, 75 percent, something which would be, perhaps, acceptable to the different sectors.

The other last quick point I have is from material that has been put together by the American Council on Education based upon the applied management science study I mentioned in my testimony. It might be helpful to insert some of the tables in the record.

They show that, looking at students at 2-year public institutions who are affected by half cost, 47 percent of their college cost is met through self-help, jobs, loans or some other form of assistance other than contributions from their family and contributions from grants.

If you look then, though, at students, let's say at 4-year private colleges, whose awards were not reduced by half cost, they had to meet 41 percent of their total costs through self-help. So the lower income students going to the lower cost schools are facing a higher percentage of self-help. They are bearing more of the cost of college themselves and they are not getting a free ride.

I think the figures would show that they are the ones who are most adversely affected by the current system.

Dr. HAMILTON. I have two more points I just remembered if I could just add them on. I think, also, it is not correct to say that modifying or eliminating the half cost factor would be an extremely difficult thing for the Federal Treasury.

When you look at what it is going to cost to implement the loan program that this administration would create, which would allow higher and higher income people to have very low-cost loans, I think you have to put the cost factor of eliminating half cost in perspective to what one is really trying to accomplish in your total package here.

I do agree with Mr. Packer in this comments.

Mr. GOSSENS. Mr. Chairman, this is one of those issues where we applaud the administration for not making recommendations to change the statute, where there is no real need to change the statute. We have asked before this committee and have asked our colleagues in the association to show us real data from last year that some students are, in fact, being affected by half cost. And if they are being affected by half cost, that the effects of half cost can be met by the other grant programs, Supplemental Grants or other need-based assistance programs.

We are talking about the lowest income kids at the lowest cost institutions. Presumably, they are all eligible for need-based assistance.

As far as the programs not being need based but being tuition based, tuition is a factor in determining how much you need to pay for your college education. And we believe that it rightfully should be.

Mr. HOLEC. I think we cannot look at the half-cost provision in and of itself. I think one of the very key elements of it is the cost of education. if you are taking one-half of something, you must define what that one-half is, and that is the cost of education.

The Basic Grant program regulations have very specific allowances which are provided to students in determining that cost. The administration has proposed moving away from actual to average tuition and fees and average room and board costs on a campus, and that solves a major problem of the administration of the programs, trying to determine the exact number of credits a student is going to take if they charge on a per-credit basis or try to determine in advance the exact residence halls and the specific room they are going to be in. The charge varies by the room and meal plan the student is under. That will solve those problems.

But at the same time, it does not address some of the other inequities which are in the cost of education. Under the current definition, a student is allowed $1,100 for room and board. That same figure was used when the program first started in 1973–74, so we allow today for purposes of determining the cost of education the same amount we did 6 years ago, $1,100. That certainly does not reflect any inflation that has taken place since then.

Let me give you a specific example at my own institution. A student is living off campus. We have to use that $1,100 room-and-board allowance. There is a standard $400 miscellaneous allowance to cover books, supplies, personal expenses, transportation. It hardly stretches that far, but it is intended to cover all of that plus tuition, which was about $900. So that is a total Basic Grant cost of education as defined as $2,400.

It realistically costs that student about $3,550, we estimate, for this next year to go to school, but that $2,400 sets the maximum Basic Grant at $1,200, compared to a total real cost to the student of $3,550.

So the point I want to make is not one side or another of the half-cost issue, but rather that the cost of education needs to be addressed and we need to realistically set what it really does cost a student to go to school. And we have made recommendations in that regard to try to address that issue and clear up the inequities created because of that situation.

Mr. Bailey. A brief rebuttal, if desired.

Mr. O'Keefe. Has there been a fire drill we have not been alerted to. [Laughter.]

Mr. Voigt. Briefly, I think we are dealing with a number of issues here regarding the cost of education. Actually, the Basic Grant program as well as the other programs as a whole, I think we must look at this issue in light of all of the other programs.

To begin with, I think the half-cost or half-need or whatever you want to call it issue is really based in some measure on a policy decision on how much of the student's need or cost should be met by the Federal Government. I think that is one part of it. If you want to use the Basic Grant program to meet 50 percent, 60 percent, whatever the percentage of cost you want to meet, that is one of the issues and, I think, one of the policy decisions which must be decided.

I think that may be, possibly, underlying at least a portion of the whole discussion.

Second, when we look at the inequities that exist among various cost levels of institutions, there are inequities. And as Ms. Hamilton pointed out, a student going to a low-cost school, one student having zero family contribution and a very low income, and another student having, say, a $1,000 family contribution, sort of middle income, may indeed get the same award as a result of the half-cost provision.

However, by increasing that percentage to 50, 60, 70, whatever the percent, you actually exacerbate that situation. You do not improve it. You in fact have the opposite effect. I think if we look at the program as a program of need, trying to meet a portion of the student's need, then it seems to be sensible to stay at 50 percent in light of all the other inequities that might be created by changing the formula, by making it so that students going to certain types of institutions are more inclined to do so simply because they have a larger share of their costs met at that kind of school.

I think that is one of the objectives of the program. We are looking at students, not at institutions. I think also in terms of the question of the cost of education, I think that is one that is a regulatory issue, and we did at one point early on in the program propose to change these cost of education levels.

When we first established it, we got a tremendous amount of negative feedback saying they are too low. We then increased them and got a tremendous amount of input that they were too high from certain kinds of institutions in different parts of the country.

Admittedly, they have not kept pace with inflation; but at the same time, there are a number of pressures on the program to make changes, all of which cost money, and we are talking about going to less than half-time students. We are talking about changes in half costs. We are talking about all kinds of recommended changes, all of which are tremendously expensive.

I think we have had to weigh, in terms of making changes in the cost of education, all of these other kinds of in some cases inequities or program changes that needed to be made that cost a tremendous amount of money. As I said, we are looking at the cost of education, but it is a regulatory and not a legislative issue in the case of the basic grant program.

Finally, I think in terms of the impact of changes in the half-cost rule on the tuition levels of schools, I think that can be a real impact. Because of the Middle Income Student Assistance Act, we are suddenly in the position of aiding a much, much larger portion of the total student population in postsecondary education.

I think before these changes, we had roughly about 30 percent of all the students in postsecondary education on assistance. That percentage has gone up substantially, and as a result, there is decreased pressure on the part of institutions because a smaller portion of their student body is not on student financial aid.

There is decreased pressure against tuition increases as a result of this Middle-Income Student Assistance Act. Admittedly, the changes we are proposing in the loan program which will make a substantial amount of additional loan money available to low income and needy students may have an impact. However, loans are obviously not nearly as favored by students as grants.

As a result, we don't think that the loan program changes will have in any way the same kind of effect of eliminating a pressure on the school as a half-cost change might to keep tuitions down.

Mr. BAILEY. Dr. Hamilton, did you have one point?

Dr. HAMILTON. Mr. Voigt is incorrect when he talks about increasing the provision in the BEOG program, having it exacerbate the problem, as he says. Right now if you have a middle-income student at a community college where the cost of attendance is well less than $3,600, that student may have a family contribution of $1,000 or $1,200, and the BEOG grant is set now at $1,800.

If you subtract the family contribution from the BEOG grant, it leaves an award of something like $600. That student would not be affected by any change of 60 percent or whatever because that is all that that student is entitled to because their family contribution is so large.

So it is not even related to the percentage of the cost in the formula. The only people who would be helped would be people who actually have little to no family contribution, and they would be indeed helped by increasing that limit in the BEOG program as high as we can get it.

Mr. VOIGT. That is, by the way, a very large percentage of the total basic grant population, and it also varies by type of institution and tuition level. I think by and large I am correct.

Mr. BAILEY. Any further comments?

Mr. ROSCHWALB. I am not sure if Mr. Voigt mentioned the less than half-time student as an expensive program.

Mr. VOIGT. As one of the many pressures on the program that would have budgetary impact; yes.

Mr. ROSCHWALB. I am not sure what he means, precisely, but the proposal that was made by various associations and the bill that Mr. Weiss has introduced does not cost a nickel above what the appropriation committees determine to put in. Down the line 10 years hence or 5 years hence, it may become obvious that more money should go into that program to take care of that group of students more equitably, but there is no budgetary implication for the foreseeable future, in the authorization of this bill, which is a 4-year or 5-year period.

One other point. We would be happy to submit for the record a correction of Mr. Gossens' assertion. He said that his organization believes that there is an ample amount of funds other than the BEOGS program to supplement the half-cost restriction. We have data and will be happy to send it in for the record to indicate that the amount of dollars for students getting BEOGS other than BEOGS is remarkably little. I think some of that money was referred to by Mr. Packer earlier today.

There are no extra dollars. The kids are not getting more money. They have to find it on their own.

Mr. GOSSENS. Mr. Chairman, we would assert that that is a problem at the delivery end with the particular institution which does not choose to use the other sources of aid available, and it is not a problem with the statute so that you would want to go through the immense problems that would be caused by changing the half-cost provision.

Mr. **Roschwalb**. I don't know if Mr. Gossens is proposing that the disproportionate amount of SEOG now going to independent institutions because they are more expensive, and rightfully so, should be shifted to junior colleges and others to take care of the fact the money that is appropriated for SEOG, for example, is used up every year. And if more SEOG money is available to people for kids going to school who are cut back on their aid by half-cost, it has got to come from somewhere.

Now, we would be perfectly delighted to have it come from additional appropriations, but as of now, if that money had not gone to the students at independent institutions, it would have gone somewhere else, and I don't think you are proposing that kind of a shift.

Mr. **Gossens**. If we are going to go into a debate here, based upon our Student Aid Recipient Data Bank——

Mr. **Bailey**. We have about 8 minutes to finish it up.

Mr. **Gossens**. I will speak fast. Based upon our Student Aid Recipient Data Bank, results of actual student participation in student aid programs last year in the independent sector for all undergraduate aid recipients who were dependents, the participation was 21.4 percent of SEOG funds.

We don't know where the other 79 percent is, but it has got to be in other sectors other than the independent sector. We don't think there would be a significant shift of funds.

Mr. **Roschwalb**. Do you have a figure, again, that the independent sector received how much last year out of the total appropriations?

Mr. **Gossens**. 21.4.

Mr. **Roschwalb**. I wonder if our colleagues from the administration could verify that that is correct. Our figures are closer to 40 percent.

Mr. **Voigt**. We will take a look. I don't have the data with me, but we will take a look.

Mr. **Packer**. I think it is more like 43 percent.

Dr. **Hamilton**. And they educate 15 percent of the undergraduates in the independent sector.

Mr. **Roschwalb**. Incidentally, we are not suggesting that be modified. We concur that this numerically disproportionate distribution as we understand it makes a great deal of sense considering the additional cost for students going to independent institutions.

The point I was trying to make was that all of the money in the program is exhausted and there is no extra money around for kids who are cut off by the half-cost provision. That is the point.

Mr. **Voigt**. Let me make a brief point, Mr. Chairman. We may be conjecturing in some part in that the impact of the Middle Income Student Assistance Act will only occur at the beginning of this academic year, this fall.

I don't think any of us really know how much unmet student need there is when you take into account the fairly substantial increases in Basic Grants and the fact that both SEOG and work study were substantially increased for the 1979 academic year.

So what may have been the situation in the past several years about a large portion of unmet need in all kinds of schools, that portion may be substantially reduced. So when you look at the programs as a whole in light of the half-cost provision, that might have changed.

Mr. BAILEY. Are there any other final parting comments or opinions?

Mr. HOLEC. I wonder if we could ask for further explanation in the SEOG program relating to the removal or statement of purpose as to what is intended by the administration by removal of the provisions in there specifying that it can only meet one-half of the student's need and the student be of exceptional financial need. Could you amplify as to what is intended by the administration for the use of that program?

Mr. VOIGT. I think basically the intent here is to liberalize the way that institutions can allocate funds and remove the matching provision and fit it, I think, more neatly into the whole packaging concepts that different institutions may have. That was a primary incentive. Put the SEOG program on the same basis as the other need-based programs and allow at the institutional level discretion to meet the needs as they see fit.

In other words, it does provide considerably more freedom at the institutional level to award SEOG funds. Does that——

Mr. HOLEC. You are not necessarily intending, then, that the program should be used to provide choice versus access.

Mr. VOIGT. Indeed not.

Mr. HOLEC. You want to leave that question totally up to the institution?

Mr. VOIGT. Yes.

Mr. HOLEC. I wonder. You built into the loan programs—and I realize this is a discussion for another day—a self-help requirement of $700 in order for a student to receive the basic loan.

Mr. VOIGT. Right.

Mr. HOLEC. There is no similar provision in the SEOG program.

Mr. VOIGT. That is right.

Mr. HOLEC. That would therefore permit a student's need, say if it were whatever, to be fully met between Basic Grant and SEOG. But yet, if you wanted to use a basic loan, you could be prohibited from doing that. Could you explain that apparent——

Mr. VOIGT. That, I think, could and in part happened. It is also governed, I think, by the availability of funds under SEOG, particularly at given campuses. And we think that by and large, given the way need analysis operates to begin with, there is a self-help expectation in need analysis already. As a result, we don't really think there will be a major shift in packaging philosophy at the institutional level.

I think there could be instances where for individual students a change like that might be very desirable, particularly in the first or second year of their education. But I think by and large, the whole packaging philosophy is well-established at the institutional level, building in already a self-help component, which I think we are just trying to reinforce and encourage.

Mr. BAILEY. All right. Let me on behalf of the subcommittee chairman, Mr. Ford, thank all of you very much for coming and giving the divergence of views. I would like to compliment you all as a very reasonable group of people and say that I appreciate it personally very much your coming, the testimony involved, and we hope we have given you a chance to voice your opinions and place them on the record.

The Subcommittee on Postsecondary Education of the Education and Labor Committee will stand adjourned until 9:30 a.m. tomorrow morning.

[Whereupon, at 12 p.m., the committee adjourned.]

[Material submitted for inclusion in the record follows:]

Prepared Statement of the Coalition of Independent College and University Students

Mr. Chairman and Members of the Subcommittee on Postsecondary Education, I am Luis F. Solis, Acting National Director of the Coalition of Independent College and University Students (COPUS). It is a pleasure to be sitting before you today to present COPUS' views on the Administration's reauthorization proposals for Title IV Grant programs. Though my testimony is brief, I will state completely our views on those changes to the BEOG, SEOG, SSIG and CWS programs that threaten independent college students with an uncertain future.

If one word describes accurately the impact of the Administration's recommendations on existing financial assistance programs, it is "uncertainty." We bear a conviction that national education policy can follow several different paths in the years to come, but that where possible, the guiding principle should be a commitment that guarantees talented, economically disadvantaged students a choice in selecting a postsecondary institution. Implicit in this vision is the need to chart steady progress toward this goal; eliminating inconsistencies in policy where possible and adding sharpness to old rhetoric when it appears likely to disappear. The Administration's proposals represent a mixed bag of blessings. While some proposed changes would undoubtedly improve the present system of financial assistance, others introduce uncertainty and confusion in places where the programs would otherwise have been clear.

That many of the Administration's proposals will simplify the administration of programs is unequivocable. But, unfortunately, in the remaining cases the full impact of the Administration's proposals—that is to say, the incidental and therefore the eventual policy outcome—is unpredictable. For this reason, while we consider many of the Administration's changes on existing grant programs as improvements, we urge thr Subcommittee to critically examine those proposals that would have uncertain effects on the present financial aid system. Several such proposals, for example, are included in the Administration's concept of an equitable and effective BEOG and SSIG program. It is my hope that this testimony will point out to the Subcommittee some of these troublesome areas.

My comments today are not in order of importance nor do they reflect COPUS' reauthorization priorities. They simply correspond to the order that particular proposals appear in the Administration's testimony.

Basic Educational Opportunity Grant program (BEOG)

The status of the BEOG program as the cornerstone of financial aid is challenged vigorously by the Administration's maximum award proposal. Simply put, the Administration irresponsibly eschews the issue of full funding of the BEOG program. The Administration's proposal not only fails to convince the Subcommittee of its commitment to the BEOG program; but it fails to protect recipients of basic grants by leaving the program's viability to the appropriations process. These are the neediest students receiving financial aid, of course, and yet they are placed in the most vulnerable position. COPUS would like to recommend that in addition to a higher maximum award the Subcommittee adopt language that encourages full funding of BEOG. Unhappily, the Administration's proposals would serve as a disincentive to reaching this goal.

At least one other compelling reason exists for introducing "full funding" language. It recently has come to our attention that in various pockets of the country new student markets are emerging. These are student populations which, due to inadequate information or lingering discrimination, have not taken advantage of financial aid. The outcome is equally clear: they haven't enjoyed postsecondary educational opportunities like the rest of us. The Coalition is concerned that unless "full funding" is accepted as a guiding philosophy, hundreds of thousands of students eligible for BEOG grants will not receive them; or, they will receive them in amounts insufficient to meet basic educational expenses.

With respect to the reduction language itself, it is difficult to argue with the Administration's proposal to replace the "staircase" schedule reduction formula. The proposed change will ease the burden placed on financial aid administrators, and will in addition guarantee a more equitable allocation of grant awards at learning institutions.

Furthermore, the Coalition is in favor of the Administration's proposal to substitute average cost for actual cost in calculating BEOG awards. Despite our favorable impressions on this change, we still believe that each campus should likewise be allowed to use a local figure to calculate off-campus living expenses. This would be in sharp contrast with the existing provision which sets a standard $1,100 figure as a basis for determining off-campus BEOG awards. The off-campus BEOG provision, which ironically is absent from the Administration's presentation, should be examined closely in comparison to prevailing circumstances on college and university campuses.

Perhaps the most controversial portion of the Administration's proposals for BEOG concerns treatment of Veterans Administration and Social Security Benefits. The Administration's proposal indirectly contends that VA and SS benefits are a form of BEOG grant, and therefore should be considered in the same manner as parental and student contributions. While we agree that something must be done to correct occasional "overawarding" of BEOGs, we fail to comprehend the logic behind penalizing all recipients irrespective of their needs and circumstances. It would appear that this is a classic case of overkill. More so than before this part of BEOG requires additional analysis to determine whether the Administration's proposal would have the intended effect.

Supplemental Educational Opportunity Grant program (SEOG)

BY Providing one "funding pot" instead of two the administration of the SEOG program at the State and campus levels will be simplified. We clearly consider this an improvement over the present system of allocating grants to institutions. Which is not so to say the full implications of this proposal are clear to us. We would benefit considerably from an analysis that determines whether or not the proposed change will redistribute SEOG funds in an equitable manner.

As regards the maximum SEOG annual and cumulative awards, the Coalition applauds the Administration for a change that is long overdue. Such an increase in SEOG is required if this program is expected to cover its share of college costs. We also are mindful that the Appropriations Committees will ultimately decide whether this kind of proposed change is meaningful or illusory.

Finally, it is important to recognize that the SEOG maximum award language includes a provision to assist the "fifth" year college student. Like raising the maximum award to $2,000, this proposed change will have the effect of drawing the SEOG program closer in tune with the clientele it serves. An appallingly high number of college students can be expected to require a fifth year in meeting their degree requirements, oftimes for perfectly justified reasons. The Coalition is glad to see the Administration recognizeS this situation.

State Student Incentive Grant program (SSIG)

It would appear that the SSIG proposal, which changes the Federal matching role from 1:1 grants to 1:1 matching only in the case of new State dollars, will create an incentive for States to meet maintenance of effort requirements and go beyond this responsibility to broader scholarship programs. At least in the case of so-called "wealthy" States. But in the case of States that adopt strict measures of fiscal restraint it isn't clear the SSIG program will last long. Many States may refuse to inject the SSIG program with the amount of State dollars required to maintain the status quo, let alone increase the number of eligible recipients. Thus, the Coalition would like to urge the Subcommittee to scrutinize the Administration's proposal, because the policy impact may be counter-intuitive and could go unnoticed.

College Work Study program (CWS)

The Administration's proposals for CWS are fairly noncontroversial, and should be pursued throughout the reauthorizations process. Again, the Coalition is distressed to find no mention of sub-minimum wages, appropriations, or regulations mandating greater effort on the the part of educational institutions to find academically appropriate jobs.

○